

IN THE MATTER OF PROPOSED ACQUISITION OF  
FIRM ENERGY FROM TENASKA WASHINGTON II  
GENERATION COMPETITIVE ACQUISITION

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ADMINISTRATOR'S RECORD  
OF DECISION

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BONNEVILLE POWER ADMINISTRATION  
U.S. DEPARTMENT OF ENERGY  
MAY 1993

TEN-6(c)-A-03

001020

ADMINISTRATOR'S RECORD OF DECISION

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## CHAPTER I

### INTRODUCTION

This Record of Decision contains the Bonneville Power Administration's (BPA) determinations and rationale on whether the proposal to acquire up to 240 aMW of firm energy from the Tenaska Washington II generation project (Tenaska Washington II), and to pay its sponsor's preconstruction and investigation expenses, is consistent or inconsistent with the 1991 Northwest Conservation and Electric Power Plan (Plan) of the Pacific Northwest Electric Power and Conservation Planning Council (Council) and satisfies any other appropriate requirements of section 6 of the Pacific Northwest Electric Power Planning and Conservation Act of 1980 (Northwest Power Act), 16 U.S.C. § 839d(c) (1988). The Administrator's determinations in this proceeding are based on evidence submitted by BPA and the parties in this proceeding and admitted into the record during the section 6(c) hearing.

The Record of Decision is divided into nine chapters. In the first chapter, BPA describes the proposal, the procedural history and the legal requirements of section 6(c). Chapter II contains a discussion of BPA's Competitive Acquisition Program, including background information on Tenaska Washington II. Chapter III describes BPA's efforts to acquire the higher priority resources identified in the Northwest Power Act or the 1991 Council Plan.

Chapter IV contains the Administrator's determinations regarding subsections (a), (b), (f), (h), (l), or (m) of section 6. In Chapter V, BPA considers whether the proposal is consistent with the 1991 Council's Plan. Within Chapter V, specific sub-issues are identified. In Chapter VI, BPA considers whether the proposal is consistent with the Council's Fish and Wildlife Program. In Chapter VII, BPA discusses whether the proposal to pay preconstruction and investigation expenses is consistent with the Council's Plan. In Chapter VIII, BPA presents a summary of the preceding chapters and in Chapter IX, BPA presents the Administrator's conclusions.

Appendix A lists the parties and their abbreviations. Appendix B lists the witnesses and representatives. Section 6(c) of the Northwest Power Act is included in this document as Appendix C.

#### A. Description of BPA's 6(c) Proposal

Section 6(a)(2) of the Northwest Power Act, authorizes the Administrator to acquire sufficient resources, including generation, conservation and renewable resources, to meet the Administrator's contractual obligations. 16 U.S.C. § 839(a)(2) (1988). Moreover, section 6(i), directs the Administrator to structure acquisition contracts with terms and conditions that will ensure "timely construction, scheduling, completion and operation of a resource." 16 U.S.C. § 839d(i) (1988).

Pursuant to section 6(c)(1) of the Northwest Power Act, BPA proposes to acquire up to 240 aMW of firm energy from Tenaska Washington II, and to pay its sponsor's preconstruction and investigation expenses. 16 U.S.C. § 839d(c)(1) (1988). The preconstruction and investigation expenses would be paid to the sponsors of Tenaska Washington II in the event that,

despite good faith efforts by both parties, BPA does not acquire or Tenaska is unable to construct the resource. Attachment 7 to Direct Testimony (Attachment 7), Ex. TEN-6(c)-E-BPA-04. These expenses do not include the procurement of capital equipment or the expenses of construction. 57 Fed. Reg. 31,361, 31,362 (1992).

The proposal to acquire up to 240 aMW of firm energy from Tenaska Washington II is a result of the 1986 Council Plan and BPA's 1990 Resource Program, both of which recommended that BPA develop and implement a Competitive Acquisition Program. BPA's Competitive Acquisition Program was a program that tested BPA's ability to systematically solicit, evaluate and select proposals that were offered for purchase.

BPA issued a January 1991 Request for Proposals for as much as 300 aMW of firm energy. In December 1991, BPA announced the competitive acquisition negotiation group consisting of 10 generating projects and 17 conservation proposals. One of the generating projects selected was Tenaska Washington II. Meyer, Ex. TEN-6(c)-BPA-01, 5. Tenaska Washington II is the only major resource proposed for acquisition under the January 1991 Request for Proposals.

#### B. Procedural History

Section 6(c) of the Northwest Power Act requires BPA to publish a notice in the Federal Register and to hold a hearing on proposals to, inter alia, acquire a major resource or pay preconstruction and investigation expenses to sponsors of a major resource. 16 U.S.C § 839d(c) (1988). On December 8, 1992, BPA published in the Federal Register a notice of hearing and opportunity for public review and comment on BPA's proposal to acquire up to 240 aMW of firm energy from Tenaska Washington II and to pay its sponsor's preconstruction and investigation expenses. 57 Fed. Reg. 58,014 (1992).

An evidentiary hearing on the proposed action was conducted by Dean F. Ratzman, Hearing Officer, in accordance with BPA's Section 6(c) Hearing Procedures, 51 Fed. Reg. 42,902 (1986) and section 6(c) of the Northwest Power Act. A prehearing conference was held on February 2, 1993, before the Hearing Officer at which time he issued special rules of practice, granted interventions, adopted a procedural schedule, and established a list for service documents. Four interventions were filed: Tenaska Power Partners, LP (Tenaska), Puget Sound Power and Light Company (Puget), Direct Service Industrial Customers (DSIs), and the Public Power Council (PPC). By order of Judge Ratzman, Pentech Energy, Inc.'s (Pentech) petition for leave to intervene out of time was accepted at the prehearing conference. Transcript of Prehearing Conference (Prehearing Conference) at 15.

On the same day, BPA requested that the Hearing Officer take official notice of the 1986 Council Plan and the 1991 Council Plan pursuant to section 10(c) of BPA's section 6(c) Policy. Id.; see also 51 Fed. Reg. 42,902, 42,907 (1986). The Council's Plan establishes the goals and objectives upon which BPA's consistency determination is based. BPA also asked the Hearing Officer to take official notice of the Council's Process and Criteria for 6(c) Review (August 1992), the Council's Statement of Policy for Section 6(c) (1986), the Council's Columbia River Fish and Wildlife Program, BPA's 1986 6(c) Policy and the Decision Document supporting that Policy (1986). Judge Ratzman granted

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BPA's request for purposes of this hearing because of the relationship between the 1991 Council Plan and BPA's determinations in the 6(c) hearing. Prehearing Conference at 19.

BPA's direct testimony, sponsored by five witnesses, was prefiled on February 9, 1993. During the course of discovery, BPA responded to nine data requests. One day of transcribed oral discovery comprising some 52 pages was conducted on March 2, 1993 on all of BPA's prefiled testimony. Motions to compel BPA's response to data requests and BPA's supplemental response to a data request were made and ruled upon in February and March 1993.

Tenaska filed its direct testimony on issues concerning the qualifications, capabilities, and experience of Tenaska, air emissions and water contamination, and CO2 sequestration on March 10, 1993. The parties did not file any rebuttal testimony.

Persons interested in commenting on BPA's proposal to acquire up to 240 aMW of firm energy from Tenaska Washington II, but who did not wish to become parties to the formal evidentiary hearing, had until March 17 to provide written or oral comments. No comments were received. 58 Fed. Reg. 13,256 (1993).

Cross-examination was held on April 7, 1993, during which the Hearing Officer ruled on all motions and admitted BPA's and Tenaska's direct testimony into evidence by stipulation. BPA moved for an order admitting the supplemental testimony of BPA witness Meyer. Motion to Admit Material, Ex. TEN-6(c)-M-BPA-02; Ex. TEN-6(c)-BPA-08. Puget was the only party who exercised its right of cross-examination. By oral agreement, all parties agreed to forego any oral argument and write briefs on exceptions.

Initial briefs were filed by Puget, Tenaska, and BPA on April 20, 1993. On April 28, 1993, BPA issued its Draft Record of Decision. This document presented the Administrator's draft decisions on issues raised in the section 6(c) hearing, based on his review of the evidence and initial briefs. On May 10, 1993, Puget and Tenaska filed briefs on exceptions.

BPA issues this Record of Decision on May 28, 1993. This document contains the BPA Administrator's final section 6(c) determinations, based on his review of the record compiled in this proceeding. After the Administrator issues his Record of Decision, the Council has 60 days to determine whether the proposed action is consistent with the Council's Plan.

### C. Legal Requirements

The Northwest Power Act requires the Administrator to conduct a section 6(c) review of proposals to, inter alia, acquire a major resource and pay preconstruction and investigation expenses to sponsors of a major resource. 16 U.S.C. § 839d(c) (1988). Section 6(c) directs the Administrator to "conduct one or more public hearings, presided over by a hearing officer, at which testimony and evidence shall be received, with opportunity for such rebuttal and cross-examination as the hearing officer deems appropriate in the development of an adequate hearing record." The hearing record will assist the Administrator in evaluating the proposal to determine whether the action is consistent with the Council's Plan. Section 6(c) of the Northwest Power

Act describes the material that should be contained in the record as "[T]ranscript of the public hearings, together with exhibits and such other materials and information as may have been submitted to or developed by, the Administrator." Following completion of the hearings, in accordance with section 6(c) of the Northwest Power Act, the Administrator is directed to make a written determination (1) regarding the requirements of subsection (a), (b), (f), (h), (l) or (m) as appropriate, and (2) that the proposal is either consistent or inconsistent with the Council's Plan. See also 51 Fed. Reg. 42,902, 42,907 (1986).

The Administrator shall make two determinations in this section 6(c) Record of Decision: whether (1) the proposal to acquire up to 240 aMW of firm energy from Tenaska Washington II and (2) the proposal to pay its sponsor's preconstruction and investigation expenses is consistent or inconsistent with the 1991 Council Plan. 57 Fed. Reg. 58,014 (1992). The preconstruction and investigation expenses would be paid to the sponsors of Tenaska Washington II in the event that, despite good faith efforts by both parties, BPA does not acquire or Tenaska is unable to construct the resource. 57 Fed. Reg. 58,014 (1992). These expenses do not include the procurement of capital equipment or the expenses of construction. 57 Fed. Reg. 31,361, 31,362 (1992).

In accordance with section 15(b) of BPA's Section 6(c) Policy, after issuing the Record of Decision, the Administrator shall promptly provide a copy to the Council. 51 Fed. Reg. 42,902, 42,907 (1986). Copies of the Record of Decision shall also be served on all parties to the proceedings and made available to participants and the public upon request to BPA's Public Involvement Manager. 51 Fed. Reg. 42,907 (1986). The Northwest Power Act permits the Council to determine, by majority vote, within 60 days after receipt of the Administrator's decision, whether the proposed action is consistent with the Council's Plan. If either the Administrator or the Council determines that the proposal is inconsistent with the Council's Plan, BPA can undertake the proposed action only after receiving approval from Congress. 16 U.S.C. § 839d(c) (1988).

After the Administrator and the Council have made their respective section 6(c) determinations, the Northwest Power Act requires the Administrator to submit the Record of Decision and the Council's determination to Congress, publish the notice of the decision in the Federal Register, and note the proposal in BPA's Congressional budget submittal. Id. BPA may implement the action ninety days after the latter of (1) the proposal has been noted in the budget or (2) the decision has been published in the Federal Register. Id. The full text of section 6(c) of the Northwest Power Act is set forth in Appendix C.

#### D. BPA's Consistency Standard & Determination

The Northwest Power Act requires the Administrator to conduct a section 6(c) review on proposals to inter alia, acquire a major resource. Following completion of a hearing, in accordance with section 6(c) of the Northwest Power Act, the Administrator is directed to make a written determination regarding the requirements of subsections (a), (b), (f), (h), (l) or (m). 16 U.S.C. § 839d(c) (1988); see also 51 Fed. Reg. 42,902, 42,907 (1986). These determinations are discussed in Chapter IV below. Since the proposal to acquire up to 240 aMW of firm energy from Tenaska Washington II is not

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conservation, a renewable resource, a billing credit or an extra regional resource, BPA has determined that subsections (a)(1), (h) and (l) do not apply to this acquisition decision.

The Administrator's primary determination in this section 6(c) Record of Decision is whether the proposal to acquire up to 240 aMW of firm energy from Tenaska Washington II, and to pay its sponsor's preconstruction and investigation expenses is consistent with the Council's Plan. 57 Fed. Reg. 58,014 (1992). BPA's 6(c) Policy states that a proposal made pursuant to section 6(c)(1) "shall be found consistent with the Plan [if the proposal] is judged to be so structured that it will achieve substantially the goals and objectives of the Plan in effect at the time the proposal is made." 51 Fed. Reg. 42,902, 42,905 (1986) (emphasis added). The Council Plan currently in effect, and in effect at the time when the proposal to acquire up to 240 aMW of firm energy from Tenaska Washington II and to pay its sponsor's preconstruction and investigation expenses was made, is the 1991 Council Plan. The consistency determination for this section 6(c) proposal to acquire is thus based on the goals and objectives of the Council's 1991 Plan.

The 6(c) Decision Document supporting BPA's 6(c) Policy contains specific directives on the consistency standard. "[C]onsistency should be tested against the relevant and broad objectives of the Plan. . . a proposal may achieve substantially the relevant goals and objectives of the Plan without exactly matching Plan details. . . Detailed implementation or design statements are not goals and objectives [of the Council's Plan] in the context of Section 6(c) consistency determination." BPA's Decision Document Supporting Policy for Section 6(c) of the Pacific Northwest Electric Power Planning and Conservation Act (Decision Document) at 14.

#### E. Council's Consistency Standard & Review

In the Council's 1986 Policy Implementing Section 6(c) (Council's 6(c) Policy), the Council describes the criteria the Council will use in determining whether a BPA proposal made pursuant to section 6(c)(1) is consistent with the Council's Plan. According to the Council's 6(c) Policy, a BPA proposal shall be found consistent with the Council's Plan if the proposal is so structured that it is likely to substantially achieve the goals and objectives of the Council's Plan. 51 Fed. Reg. 42,028 (1986). The Council further explains in its 6(c) policy that the Council intends to afford BPA flexibility in implementing the Plan, and as such this consistency standard does not require that BPA implement "every particular activity enumerated in the Plan." 51 Fed. Reg. 42,028 (1986). The Council's consistency standard reflects the Council's commitment in allowing BPA latitude in selecting the means to achieve the goals and objectives of the Council's Plan. According to the Council's 6(c) Policy, the goals and objectives of the Council's Plan should be understood in a broad sense. And finally, under the Council's 6(c) Policy each BPA proposal under section 6(c) is reviewed for consistency with those provisions of the Council's Fish and Wildlife Program that are relevant to the proposal.

In its August 17, 1992 Statement of Policy, the Council describes one means whereby a resource could be found to substantially achieve the goals and objectives of the Plan. As noted by the Council, the test for resources not specifically identified for immediate acquisition in the Plan is whether "the

effects of a resource on the power system in terms of system cost, risk-management, reliability and environmental impacts are substantially equivalent to those resources identified for immediate acquisition. Council Document No. 92-25, Process and Criteria to be used in 6(c) Review, August 17, 1992. A finding that a resource is substantially equivalent also requires a determination that the proposal "satisfies any applicable resource-specific criteria identified in the plan, such as protected areas." Id. at 4. Additional factors that the Council may consider in determining whether a resource is substantially equivalent include the value of the resource as a result of location, diversity or as a demonstration.



## CHAPTER II

### DESCRIPTION OF THE RESOURCE

The proposal to acquire up to 240 aMW of firm energy from Tenaska Washington II and to pay its sponsors preconstruction and investigation expenses is a result of BPA's Competitive Acquisition Program. The Competitive Acquisition Program was one of the resource actions described in the 1986 Council Plan and BPA's 1990 Resource Program.

In the 1986 Council Plan, the Council asked BPA to develop a resource acquisition process. Further, the Council stated that it may be desirable to test elements of the resource acquisition process and to develop and demonstrate general approaches to contracting with utilities and independent power producers. See 1991 Northwest Conservation and Electric Power Plan-Volume I. BPA's Generating Resource Acquisition Process was issued by the BPA in August 1990 and focused on the acquisition of generating resources by competitive means. See generally Attachment 6 to Direct Testimony (Attachment 6), Ex. TEN-6(c)-BPA-04 .

In the 1990 Resource Program, BPA concluded that it was appropriate for BPA to acquire a diversified resource portfolio and not overemphasize one approach to the resource marketplace. Meyer at 4. At the time the 1990 Resource Program was concluded, the most promising actions to accomplish this objective appeared to be an all-sources competitive acquisition pilot program (Competitive Acquisition Program), a billing credits test, Federal hydro-efficiency improvements, a geothermal research and development pilot project and a Resource Contingency Plan to option additional resources. Meyer at 4.

BPA selected the Competitive Acquisition Program because BPA believed that it was important to test its ability to acquire resources as needed. As a pilot program, the Competitive Acquisition Program provided BPA with the ability to systematically solicit, evaluate, and select resource proposals that were offered for purchase. The Competitive Acquisition Program also enabled BPA to compare diverse resources while offering resource providers the opportunity to propose creative projects or measures. Attachment 3 to Direct Testimony, Ex. TEN-6(c)-BPA-04, 24 (Attachment 3). Additionally, as a pilot program, the Competitive Acquisition Program allowed BPA to test the ability of BPA itself -- its personnel, its organizational structure, the skill level of the employees to make good resource decisions. Transcript of the Clarification of BPA Witnesses (Clarification), Ex. TEN-6(c)-PS-01, 27.

Completion of the pilot program by BPA substantially implements Supporting Activity 2 requested by the Council in its 1991 Plan. 1991 Northwest Conservation and Electric Power Plan-Volume II (91-05) at 24.

#### A. BPA's Competitive Acquisition Program

BPA's Competitive Acquisition Program called for BPA to acquire as much as 300 aMW of firm energy. A program solicitation was issued in January 1991 and closed in June 1991. At the close of the solicitation, BPA received more than 100 proposals. These resource proposals were from utilities, independent power producers and government agencies. Buchanan, Ex. TEN-6(c)-BPA-02, 4-5.

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Under the terms of BPA's Competitive Acquisition Program, generation resources were required to conform to specific threshold requirements. Buchanan at 4-5; see also Attachment 1 to Direct Testimony (Attachment 1), Ex. TEN-6(c)-BPA-04, 10. Each resource was required to have a minimum size of at least 5 aMW and the sponsor was required to offer the resource for a contract term of five years for system sales and 10 years for all other resources. The resource was required to be mature and commercially available. The resource sponsor was required to deliver the resource to BPA no later than December 31, 1997. If the sponsor offered a new hydroelectric project, that resource could not be located in the Council's designated protected areas. The resource sponsor was required to identify project locations and to have determined what federal, state, and local permits and licenses would be required. Finally, firm energy from resources declared by BPA customer utilities as firm resources in their power sales contracts were not eligible for consideration. Attachment 1 at 10. Resource proposals that did not meet these threshold requirements were rejected.

To select the best proposals for a Negotiation Group, resource proposals which met the threshold requirements were evaluated to determine (1) the system cost of the resource, (2) the viability of the resource, and (3) the non-price environmental impacts of the resource. Id. Two steps were involved in calculating the system cost of a proposed resource. The first step determined the evaluation purchase price. The evaluation purchase price was made up of up to three components, (1) capacity payment, (2) firm energy payment, and (3) non-firm energy payment (if applicable). The evaluation purchase price is the sponsor's proposed purchase price as modified in the BPA evaluation process. Id. at 7. The second step was the application of the system cost adjustments, which adjust the purchase price to reflect resource specific characteristics of capacity, displacement, environmental cost, commercial operation date and contract term, location, interconnection costs, seasonality, non-firm energy and intertie costs. Attachment 8 to Direct Testimony (Attachment 8), Ex. TEN-6(c)-BPA-04, 1; see generally Clarification at 51-60. Finally, BPA evaluated the potential risks associated with each project that made the Negotiation Group. Those risk factors included fuel price risk and capability risk. Clarification at 61-64. In total, the evaluation purchase price, system cost adjustments and risk adjustment factors comprised the risk adjusted system cost. Buchanan at 10. All costs were levelized over the resource's firm energy output and expressed in 1990 dollars.

BPA's non-price evaluation consisted of two elements: resource viability and non-price environmental impacts. Resource viability reflected BPA's judgment about a resource being available to BPA at the commercial operation date, and operating as proposed for the contract term. Eight separate factors influenced decisions on a resource's viability. These factors included (a) development team experience; (b) project financing; (c) project design; (d) transmission/distribution availability; (e) fuel supply; (f) thermal host; (g) permits and licenses; and (h) site identification and property interest. These eight factors were applied to each resource in the context of the resource's commercial operation date, location, and technology. Freeman, Holeman, Tuck (Panel), Ex. TEN-6(c)-BPA-03, 2.

BPA's solicitation contained two pages of environmental documentation requirements covering identification of any Federal, state or local agencies

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conducting an environmental review on the project, land-use planning and zoning information, and potential environmental impacts related to fish, wildlife, vegetation, cultural resources, air quality, water quality, etc. BPA asked each resource sponsor to include any environmental documents that had been completed for the project. Panel at 3. In addition, the solicitation contained a two-page list of protected sites and unique habitats to be reviewed and completed by the sponsor. The purpose for this information request was to elicit as much environmental information on the site and proposal as possible. Based on environmental procedures and criteria developed by BPA, the project was then evaluated and ranked based on its potential environmental impacts and any potential environmental risks and liabilities. Panel at 3-5.

The Negotiation Group was selected based on the results of the evaluation and the quantity of resource proposals BPA believed necessary to secure 300 aMW of firm energy. BPA announced its Negotiation Group in December 1991. Projects chosen included 17 conservation projects and 10 generation projects. BPA negotiated with the sponsors of the major generating resources and, on July 16, 1992, BPA announced that it signed a letter of intent to acquire up to 240 aMW of firm energy from Tenaska Washington II. Buchanan at 5.

As described, the evaluation criteria coincide with the goal of the 1991 Council Plan to ensure that the Pacific Northwest has an adequate, efficient, economical, and reliable electricity supply. See 1991 Northwest Power Plan-Volume I, (91-04) at 3. The system cost criterion advances the 1991 Council Plan's goal of an economical electricity supply. The resource viability criterion was used to determine the reliability of the resource. Evaluation of non-price environmental impacts takes into account the 1991 Council Plan's goal of an economical and efficient electricity supply. Finally, to ensure the 1991 Council Plan's goal of an adequate electricity supply, BPA selected a quantity of resources for the negotiation group necessary to assure 300 aMW of firm energy. Buchanan at 5.

#### B. Tenaska Washington II

Tenaska Washington II was selected from over 100 resource proposals received under the Competitive Acquisition Program, an objective of the 1986 Council's Plan. On July 16, 1992, BPA executed a letter of intent to acquire up to 240 aMW of firm energy from Tenaska Washington II. See Attachment 7 to Direct Testimony (Attachment 7), Ex. TEN-6(c)-BPA-04. Tenaska agreed to a fully displaceable, 20 year output contract, for which BPA will pay for the kilowatt hours delivered. Panel at 11. Furthermore, Tenaska has committed \$1 million of its profit towards cost-effective CO2 sequestration projects, and Tenaska has agreed to work with a local citizens' group to enhance fishery habitat in Clover Creek. Zicafoose, Ex. TEN-6(c)-TP-03, 1.

Tenaska is a partnership consisting of two general partners, Continental Energy Services, a subsidiary of The Montana Power Company, and Tenaska, Inc. and a limited partner, Westpac Banking Corporation. The partnership's charter is to develop independent power and cogeneration facilities. Hendricks, Ex. TEN-6(c)-TP-01, 2. Tenaska's employees and principals have experience in developing and managing more than 1,600 megawatts of utility projects. Tenaska personnel have been involved in developing cogeneration and

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independent power plants ranging in size from 50 megawatts to 450 megawatts. An example of one such project is Tenaska's 220 MW gas-fired cogeneration plant in Paris, Texas. Panel at 7.

Tenaska is proposing to construct a combustion turbine that would be operated in combined cycle as a wet system with steam injection directed into the inlet air to reduce nitrogen oxide emissions. The project would be located in the Frederickson Industrial Area in the State of Washington. Panel at 6. The primary fuel for this project would be natural gas, which would be delivered over an existing pipeline adjacent to the project and connected to the facility by a short feeder pipe or stub. The back-up fuel would be oil, which would be stored on site. Panel at 13.

Tenaska Washington II would consist of one General Electric 7FA combustion turbine-generator, one heat recovery steam generator with supplemental firing capability, and one steam turbine-generator. A cooling tower would be built on the site and water would be supplied by the City of Tacoma. Panel at 6. Wastewater from the project would be discharged into the Pierce County Sanitary Sewer System. Tenaska Washington II would connect to BPA's South Tacoma Switching Station, located one-half mile northwest of Tenaska Washington II. A gas pipeline approximately one-third mile long would be built to connect the generating plant to Northwest's pipeline. Panel at 6.

The project would require modification to the existing South Tacoma 230 kV Switching Station, plus approximately one-half mile of new 230 kV transmission line to be constructed at Tenaska's expense. At South Tacoma, BPA would require expansions and modifications to existing facilities. These include the addition of 230 kV power circuit breakers, disconnect switches, control and protective relaying, communications, a control house and ties to the existing White River-Cowlitz Tap-Olympia 230 kV line. Relocation of the 230 kV line at South Tacoma would also be required. The details of the South Tacoma substation will be determined during the design stages. Panel at 8.

Both the levelized cost of power and the risk adjusted system cost of Tenaska Washington II are less than 3 cents per kilowatt hour (1990 dollars). Buchanan at 18; see also Clarification at 46-48. BPA has an option to renew the contract for an additional 15 years. BPA is also proposing to pay certain costs to Tenaska in the event that, despite good faith efforts by both parties, BPA does not acquire or Tenaska is unable to construct the resource. Tenaska is currently in the process of securing the necessary permits and approvals for this project. Commercial operation could begin as early as the summer of 1996. 57 Fed. Reg. 58,014 (1992).

## CHAPTER III

### BPA EFFORTS TO ACQUIRE HIGHER PRIORITY RESOURCES

As noted by the Council, one means whereby a resource could be found to substantially achieve the goals and objectives of the Council Plan is "whether a resource is needed and cost-effective when it enters service, considering overall power system cost, reliability, risk-management and environmental effects. Council Document No. 92-25, Process and Criteria to be used in 6(c) Review, August 17, 1992. In addition, the Council stated that the resource purchaser "must be making reasonable efforts to acquire higher priority resources identified in the Act or the Plan that may be available at equal or lower cost."

BPA's 1992 Resource Program identified a need for 1530 aMW of new resources to cover the most likely range of need through 2003. These resources include 660 aMW of conservation and 120 aMW of efficiency improvements. Attachment 11 to Direct Testimony, Ex. TEN-6(c)-BPA-04 (Attachment 11). BPA is committed to acquiring all cost-effective conservation identified in the 1992 Resource Program. The conservation targets are consistent with the targets called for in the 1991 Council Plan.

Conservation can meet much, but not all of BPA's likely needs. An additional 750 aMW of generation acquisitions would cover the most likely range of resource need. Id. Therefore, BPA has developed a comprehensive supply side strategy to meet this need and achieve the overall objectives of the 1991 Council Plan. The acquisition of up to 240 aMW from Tenaska Washington II is one part of this comprehensive strategy.

BPA is also acquiring the other cost-effective supply side resources identified in the 1991 Council Plan through the acquisition of several small, low-cost hydro and cogeneration projects. BPA is also acquiring the renewable energy identified in the 1991 Council Plan. Through the Resource Supply Expansion Program (RSEP), BPA is acquiring wind and geothermal and has funded eight demand side projects to date. No party has challenged BPA's position that it is making reasonable efforts to acquire higher priority resources identified in the Northwest Power Act or 1991 Council Plan that maybe available at equal or lower cost. Although BPA intends to acquire all of these resources, they all cost more than Tenaska Washington II. Buchanan at 13-14.

#### 1. Conservation

As noted by BPA witness Meyer, BPA is committed to a steadily increasing conservation program. The 1992 Resource Program commits BPA to acquire all cost-effective conservation and estimates that at least 660 aMW of conservation is available through 2003. Meyer at 9. In response to BPA's current budget shortfall, BPA is looking for efficiencies that will not reduce BPA's ability to acquire the conservation resource. While conservation budgets for the FY 1994-1995 rate period may be cut, BPA is keeping its commitment to acquire the cost-effective conservation outlined in the 1992 Resource Program. Supplemental Testimony of Meyer (Meyer, Supplemental), Ex. TEN-6(c)-BPA-08, 2. In addition, BPA customer utilities are developing local conservation plans which will be supported in budgets for FY 1996 and beyond.

This will reduce the likelihood of unexpected program changes and builds a commitment into budgets and rates throughout the Region. Meyer at 8-9.

BPA's 1992 Resource Program identified 120 aMW of conservation from generating resource efficiency improvements at Federal hydroelectric facilities and on the BPA transmission system. The Corps of Engineers and the Bureau of Reclamation are working with BPA to schedule the review and retrofit of their facilities. Meyer at 10. In addition, BPA is improving the efficiency and uprating the output of WNP-2. This has resulted in an increase of 25 aMW to date and will result in total savings of up to 65 aMW by FY 1995. Meyer at 10.

## 2. Generation

The 1991 Council Plan recommends the acquisition of up to 800 aMW of new generation in the Region because of the forecasted increase in demand by the year 2000. 1991 Northwest Conservation and Electric Power Plan-Volume I (91-04) at 35. The 1992 Resource Program recommends that BPA acquire 750 aMW of new generation to cover the most likely range of need through 2003. See Attachment 11. The acquisition of Tenaska Washington II is part of a this larger strategy to acquire the supply side resources because BPA faces uncertainties with regard to the output of resources in its existing system.

In addition to BPA's proposal to acquire up to 240 aMW of firm energy from Tenaska Washington II, BPA is pursuing three types of generation resources: hydropower, cogeneration and resources from outside the region.

### a. Low-Cost Hydropower

BPA is committed to acquiring the low-cost hydropower described in Objective 1 of the Plan. 1991 Northwest Conservation and Electric Power Plan-Volume I (91-04) at 34. BPA recently acquired 22 aMW of low-cost hydropower from the Cowlitz Falls hydro project. BPA is currently negotiating with Northern Wasco PUD to acquire 7 aMW from the McNary fishway hydro-project, has signed a billing credits contract for the 8 aMW Smith Creek hydro-project and has letters of intent for four other hydro projects through billing credits. Meyer at 10-11.

### b. Low-Cost Cogeneration and Extra-Regional Resources

BPA is committed to acquiring the low-cost cogeneration and extra-regional resources described in Objective 1 of the Plan. 1991 Northwest Conservation and Electric Power Plan-Volume I (91-04) at 34-35. According to BPA witness Meyer, BPA has a letter of intent to purchase 46 aMW from the SDS Lumber cogeneration facility in Bingen, WA and BPA is negotiating to acquire up to 25 aMW from the James River project at Wauna, Oregon. Id. at 11. In the summer of 1992, BPA signed a one-year seasonal exchange with Southern California Edison. Negotiations are underway to acquire about 10 aMW of firm energy from Riverside, California and 60 aMW of firm energy from Pacific Gas and Electric Company through seasonal exchanges and capacity/energy exchanges. Id.

## 3. Renewable Energy

In the 1991 Council Plan, the Council set an objective to confirm

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1,500 aMW of conservation and renewable energy resources. BPA chose the RSEP as the primary vehicle for accomplishing this goal. Id. at 12. RSEP has four major components: demand side resource confirmation, wind resource confirmation, geothermal resource confirmation and dispersed generation/system efficiency confirmation. To date, eight demand side projects have been funded. Id. at 13.

a. Wind

BPA held a competition to acquire up to 50 MW of capacity through the Wind RSEP program. These projects, according to BPA witness Meyer, exceed the Council's 30 MW wind farm demonstration project goal, including a demonstration of wind turbines in a cold climate. 1991 Northwest Conservation and Electric Power Plan-Volume I (91-04) at 22-23 and Volume II (91-05) at 40-41. To further facilitate the development of the wind generation resource, BPA also offered utility services in the form of wheeling, shaping and interconnection services for planned wind farms. Id.

b. Geothermal

The 1991 Council Plan recommends that BPA acquire at least 10 aMW of geothermal energy from each of three separate fields, ultimately capable of producing at least 100 MW each. 1991 Northwest Conservation and Electric Power Plan-Volume I (91-04) at 40. BPA implemented this guidance through a geothermal solicitation, and has announced the acquisition of two projects to date. These are 20 aMW of a 30 MW project at Newberry Crater and 16 aMW of a 25 aMW project at Vale, Oregon.

Decision: Unrebutted testimony shows that BPA is making reasonable efforts to acquire the higher priority resources identified in the Northwest Power Act or the Council Plan. Additionally, the acquisition of Tenaska Washington II is needed as part of a comprehensive strategy to acquire low-cost resources. BPA is acquiring all of the cost-effective conservation identified in the 1991 Plan and the 1992 Resource Program. Moreover, BPA is acquiring the cost-effective supply side resources identified in the 1991 Council Plan and the 1992 Resource Program through the acquisition of several small, low-cost hydro and cogeneration projects. Finally, BPA is also acquiring the renewable energy identified in the 1991 Council Plan and the 1992 Resource Program. Through RSEP, BPA is acquiring wind and geothermal and has funded eight demand side projects to date.

## CHAPTER IV

### REGIONAL ACT DETERMINATIONS

The Northwest Power Act requires the Administrator to conduct a section 6(c) review on proposals to, inter alia, acquire a major resource. Following completion of a hearing and, in accordance with section 6(c) of the Northwest Power Act, the Administrator is directed to make a written determination regarding the requirements of subsection (a), (b), (f), (h), (l) or (m). 16 U.S.C. § 839d(c) (1988); see also 51 Fed. Reg. 42,902, 42,907 (1986). These determinations are discussed below. Since the proposal to acquire up to 240 aMW of firm energy from Tenaska Washington II is not a billing credit or an extra regional resource, BPA determined that subsections (h) and (l) do not apply to this acquisition decision.

Section 6(a)(2) authorizes the Administrator to acquire sufficient resources, including generation, "to meet his contractual obligations that remain after taking into account planned savings from" conservation and renewable resources. The Administrator is committed to acquiring all cost effective conservation and renewable resources, however, additional resources, including generation such as Tenaska Washington II, are required to meet projected need. See discussion in Chapter III above.

Section 6(b)(1) requires resource acquisitions to be consistent with the Council's Plan. The consistency of the proposal to acquire Tenaska Washington II with the 1991 Council Plan is demonstrated in Chapter V below. Section 6(b)(2) does not apply to this major resource acquisition. Section 6(b)(3) does not apply because the 1991 Council Plan is in effect. Section 6(b)(4) requires the Administrator to acquire non-Federal resources to replace FBS resources only in accord with section 6. BPA has decided not to treat the proposal to acquire Tenaska Washington II as an FBS replacement at this time. BPA Data Response 8, Ex. Ten-6(c)-E-BPA-06. Nevertheless, BPA has taken this resource acquisition through the processes required in section 6, as is demonstrated in this Record of Decision; and therefore, has satisfied the requirements of section 6(b)(4) for this acquisition.

BPA also determined that section 6(f) does not apply to BPA's proposal to pay Tenaska's preconstruction and investigation expenses. See discussion in Chapter VII below. BPA has identified three ways in which it may pay preconstruction and investigation expenses of a resource sponsor. See BPA Policy for Section 6(c) of the Northwest Electric Power Planning and Conservation Act, March 9, 1993 (hereinafter referred to as Policy for Section 6(c), Section 9). 58 Fed. Reg. 19,694 (1993) (Although this proceeding was initiated on December 8, 1992, several months before the section 6(c) Policy became effective, the policy draws distinctions followed in this case.) Section 6(f) applies to acquisition of resources which the Administrator determines "may be eligible" for acquisition "where the project fails prior to completion of the Section 6(c) review. . ." See Policy for Section 6(c), section 9(b). BPA proposes to pay Tenaska preconstruction and investigation expenses for a resource that is eligible for acquisition, once this section 6(c) review is completed. See Policy for Section 6(c), section 9(a) and (c).

Only one party has ~~discussed~~ section 6(f) in this proceeding. No one has challenged BPA's authority to pay Tenaska's preconstruction and investigation



expenses. In its Post Hearing Brief and Brief on Exceptions, Tenaska contends that BPA may pay its preconstruction and investigation expenses. Tenaska Power Partner's Post-Hearing Brief (Tenaska's Initial Brief), TEN-6(c)-B-TP-01 and Tenaska Power Partner's Brief on Exceptions (Tenaska's Brief on Exceptions), TEN-6(c)-B-TP-02. Since BPA agrees, although for reasons other than those expressed by Tenaska, see discussion above, BPA will not address Tenaska's argument.

A. Acquisition of up to 240 aMW of Firm Energy from Tenaska Washington II Will Not Reduce BPA's Efforts to Achieve Conservation and Renewable Resources.

Section 6(b)(5) of the Northwest Power Act states that the Administrator "shall not reduce his efforts to achieve conservation and to acquire renewable resources" in order to acquire generation. 16 U.S.C. § 839(d)(b) (1988).

BPA is committed to acquire all of the cost-effective conservation and renewable resources identified in the 1990 and 1992 Resource Programs and the 1991 Council Plan. Additionally, BPA is implementing the 1986 Council Plan which called for the development and testing of a competitive process, a more aggressive conservation program, and exploring a variety of other resource acquisition activities. See generally 1986 Northwest Conservation and Electric Power Plan-Volume I.

BPA's Competitive Acquisition Program is one of the activities described in the 1986 Council Plan and 1990 Resource Program. The Competitive Acquisition Program was developed concurrently with a test of Billing Credits, acquisition of generating resource efficiency improvements and a more aggressive conservation program. Specifically, the 1990 Resource Program called for the acquisition of up to 300 aMW through a Competitive Acquisition Program and 380 aMW of cost-effective conservation. See Attachment 11. The proposal to acquire Tenaska Washington II is a direct result of BPA's Competitive Acquisition Program.

In the 1992 Resource Program, BPA identified a need for an additional 680 aMW of new resources through 2003. Of the 680 aMW, about 280 aMW will be acquired through BPA conservation programs and 400 aMW will be additional generation acquisitions. See Attachment 11.

In response to the Agency's current budget shortfall, BPA is looking for program efficiencies that will not reduce BPA's ability to acquire the conservation resources. While conservation budgets for the FY 1994-1995 rate period may be cut, BPA is keeping its commitment to acquire the cost-effective conservation outlined in the 1992 Resource Program. Meyer, Supplemental at 2.

Decision: No party has challenged BPA's position. For the reasons cited and those outlined in Chapter III above, BPA is not reducing its efforts to achieve conservation and renewable resources in order to acquire Tenaska Washington II.

B. Whether the Proposal to Acquire up to 240 aMW of Firm Electric Energy from Tenaska Washington II is Consistent with the Requirements of Section 6(m).

Summary of Position: BPA argues that the offer of zero shares of the

Tenaska Washington II resource to regional utilities is consistent with the requirements of section 6(m). BPA's Post-Hearing Brief, TEN-6(c)-B-BPA-01.

Tenaska agree. Tenaska's Initial Brief at 2-3, 14-17; Tenaska's Brief on Exceptions at 3.

Puget claims that BPA's decision not to offer a share of the Tenaska Washington II resource is based on a selective and inaccurate interpretation of the language and legislative history of Section 6(m). They argue that BPA is trying to justify an exemption from Section 6(m) for pilot or test programs. Puget also questions the procedural fairness of BPA's implementation of Section 6(m).

Issue #1: Is BPA's interpretation of the language and legislative history of section 6(m) accurate?

Evaluation: Puget claims that "the Decision does not, and BPA probably cannot, point to any language in Section 6(m) which justifies a zero-share offer of that resource as a 'reasonable share'." Puget's Brief on Exceptions, TEN-6(c)-B-PS-02, p. 3, lines 27-33. Section 6(m) of the Northwest Power Act provides:

[T]he Administrator shall determine in each case of a major resource acquisition that a reasonable share of the particular resource, or a reasonable equivalent, has been offered to each Pacific Northwest electric utility for ownership, participation, or other sponsorship, but not in excess of the amounts needed to meet such utility's Regional load. 16 U.S.C. § 839d(m) (1988).

The Administrator has determined that a reasonable share or reasonable equivalent has been offered. The Administrator is given the authority to determine what a "reasonable share" or its "reasonable equivalent" will be in the case of a major resource acquisition. The terms "reasonable share" and "reasonable equivalent" are not defined in section 6(m), elsewhere in the Northwest Power Act, or in the legislative history of the Northwest Power Act. Therefore, since Congress was silent, Congress has preserved the Administrator's authority to define those terms. The Court has stated that "if the statute is silent or ambiguous with respect to the specific issue, the question for the court is whether the agency's answer is based on a permissible construction of the statute..." Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc., 467 U.S. 837 (1984). Moreover, BPA is given substantial deference to its reasonable interpretations of the Northwest Power Act. See Dept. of Water and Power of the City of Los Angeles v. Bonneville Power Administration, 759 F.2d 684 (9th Cir. 1985). Furthermore, any party challenging BPA's interpretation of statutes it administers must not only convince the court that their interpretation is the preferable one, but also that BPA's is actually unreasonable. Puget Sound Power & Light Company, 56 F.E.R.C. ¶61, 124 (1991).

In the present case, the Administrator determined that zero is a reasonable share of the Tenaska Washington II resource. BPA's Competitive Acquisition Program is a pilot program that would have incurred substantial delays had section 6(m) been interpreted in a manner requiring that a share of

the Tenaska Washington II resource be offered to regional utilities. BPA explicitly detailed such delays in its direct testimony. See BPA's Post-Hearing Brief at 5-6 (sets forth testimonial references to many delays and complications that would have occurred). Congress, as evidenced in the legislative history of section 6(m), recognized that section 6(m) "should not be the basis for unreasonable delay in resource acquisition." S. Rep. No. 272, 96th Cong., 1st Sess. 29 (1979). In this statement Congress expressed its belief that a delay in resource acquisition due to section 6(m) requirements may make a share offering unreasonable. Nowhere in the statute or in the legislative history is there an indication that Congress intended this statement to mean that "Section 6(m) is not to be an excuse for BPA delays in acquiring resources as contemplated by the Northwest Power Act" as Puget contends. Puget's Brief on Exceptions at 5, lines 43-45, 6, line 3 (original emphasis). The purpose of section 6 is to acquire resources. Congress did not intend for section 6(m) to delay or complicate resource acquisition. BPA's determination that no share (zero) of the Tenaska Washington II resource would be offered to regional utilities is thus consistent with Congress' intent.

Even if, arguendo, a zero share of the resource may not be "offered," a "reasonable equivalent" to offering no share of the resource is the section 6(m) interpretive rule process where interested parties, including Puget, have the opportunity to establish ownership, participation or other sponsorship in a manner that may be "equivalent" to ownership, participation, or other sponsorship in Tenaska Washington II. See Opportunity to Comment on Non-Federal Participation in Resource Acquisitions, TEN-6(c)-E-BPA-09. See also Tenaska's Initial Brief at 16, lines 8-15, lines 21-24 (where Tenaska agrees that the BPA rulemaking process provides its customers with a reasonable equivalent to the ownership, participation or other sponsorship of the Tenaska Project). Section 6(m) explicitly provides that a reasonable equivalent of the resource may be offered to regional utilities in lieu of a reasonable share of the resource. Therefore, since BPA is offering regional utilities a reasonable equivalent through participation in the section 6(m) interpretive rulemaking process, BPA's decision to offer zero share of Tenaska Washington II is reasonable. Thus, BPA has fulfilled its statutory requirement under section 6(m) for this particular acquisition.

Finally, Puget argues that section 6(m) requires "the Administrator to offer to Pacific Northwest electric utilities reasonable shares of certain resources, or reasonable equivalents of such shares." Puget's Brief on Exceptions at 7. However, the reasonable share or reasonable equivalent may be for "ownership, participation, or other sponsorship." 16 U.S.C. § 839d(m) (1988) (emphasis added). Participation or sponsorship would not guarantee any utility an ownership interest in Tenaska Washington II. For example, participation could include payment for section 5(e) restriction rights. See Tenaska's Initial Brief at 15-16.

Issue #2: Is BPA attempting to make an exemption from Section 6(m) for pilot or test programs?

Evaluation: BPA is not attempting to make an "exemption" for pilot programs as Puget believes. See Puget's Brief on Exception at 7-9. BPA is merely applying Congress' intent in section 6(m) to this acquisition situation in which substantial delay may have occurred as a result of offering a share of this particular resource under section 6(m).

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Issue #3: Was BPA's procedure for implementing section 6(m) procedurally unfair?

Evaluation: In its Initial Brief, Puget states that "[S]ection 6(m) is an important provision to the Pacific Northwest's utilities and BPA's implementation of section 6(m) should have been formulated prior to the Solicitation and prior to BPA's zero-share determination." Puget's Initial Brief at 9, lines 11-17. In the present case, due to the unique circumstances of this particular acquisition, BPA made a final determination prior to the solicitation that no portion of the proposed resource resulting from the Competitive Acquisition process would be offered to regional utilities for ownership, participation, or sponsorship. See BPA's Post-Hearing Brief. BPA made a reasonable determination for this particular acquisition consistent with the intent of Congress and that decision was final when made available to the public in the Competitive Acquisition Program Generation Solicitation Questions and Answers on March 20, 1991. Attachment 2 to Direct Testimony (Attachment 2), Ex. TEN-6c-BPA-04, 10. The Questions and Answers were mailed to every party on the service list, including Puget, and were made available through BPA's Public Involvement Office. No Federal Register notice is required for determinations made under section 6(m).

Puget raises the question "[i]f a zero-share determination was 'final' before regional utilities were notified of it, how is it that BPA believes those utilities had a reasonable opportunity to provide comment to BPA on that decision before it was decided?" Puget's Brief on Exceptions at 10, lines 15-23. Under section 9(e)(5), parties wishing to challenge a decision of the Administrator must do so within 90 days following the time the decision is deemed final. 16 U.S.C. § 839f(e)(5) (1988). During the time following the Administrator's decision, no challenges were made by any interested parties. Since no parties challenged this decision within that time period, parties are now barred from challenging the Administrator's decision. Even if, arguendo, BPA's section 6(m) determination was not previously a final action, that determination now represents a final decision of the Administrator. See Tenaska's Brief on Exceptions at 1, lines 13-20 (where Tenaska recommends that any determination that was not previously a final determination now represents a final action of the Administrator for purposes of judicial review under section 9(e)(5)).

Decision: For the reasons stated above, BPA's decision to offer zero shares of Tenaska Washington II to each Pacific Northwest electric utility is reasonable. Thus, BPA has fulfilled its statutory requirement under section 6(m) for this particular resource.

## CHAPTER V

### CONSISTENCY WITH THE GOALS AND OBJECTIVES OF THE COUNCIL'S PLAN

The primary determination in this section 6(c) review is whether the proposal to acquire up to 240 aMW of firm energy from Tenaska Washington II and to pay its sponsors preconstruction and investigation expenses is consistent or inconsistent with the 1991 Council Plan. 57 Fed. Reg. 58,014 (1992). A proposal shall be found consistent with the Council Plan if it is judged to be so structured that it will substantially achieve the goals and objectives of the Council Plan. 51 Fed. Reg. 42,902, 42,905 (1986). In a further clarification, the Council noted that the test for resources not specifically identified for immediate acquisition in the Council Plan is whether "the effects of a resource on the power system in terms of system cost, risk-management, reliability and environmental impacts are substantially equivalent to those of resources identified for immediate acquisition. Council Document No. 92-25 Process and Criteria to be used in 6(c) Review, August 17, 1992 (emphasis added). A finding that a resource is substantially equivalent also requires a determination that the proposal "satisfies any applicable resource-specific criteria identified in the plan, such as protected area" Id. at 4.

Additional factors that the Council may consider in determining whether a resource is substantially equivalent include the value of the resource as a result of location, diversity or as a demonstration.

A. Acquisition of 240 aMW of Firm Energy From Tenaska Washington II is Substantially Equivalent to a Resource Identified in Objective 1 of the Council's Plan--Acquire All Low-Cost Resources

Objective 1 of the 1991 Council Plan calls for the acquisition of up to 800 aMW of generation in the Region because of the forecasted increase in electricity loads by the year 2000. 1991 Northwest Power Plan-Volume I, (91-04) at 35. The Council states that "the need for additional resources is highly probably during the coming decade, and with strong growth, that need is urgent." 1991 Northwest Power Plan-Volume I (91-04) at 32. Therefore, in accordance with the Council's guidance, BPA has decided to acquire up to 240 aMW of firm electric energy from Tenaska Washington II. As BPA's Panel testified, Tenaska Washington II will generate up to 240 aMW of firm electric energy, thus satisfying a portion of the Plan's goal of acquiring 800 aMW of new generation needed to meet any future demand for electricity. Panel at 10. Although Tenaska Washington II is not one of the resources the Council identifies in the 1991 Council Plan for immediate acquisition, it is nevertheless substantially equivalent to a resource identified for immediate acquisition in the 1991 Council Plan because it is cost-effective and incorporates all appropriate reliability and risk management strategies.

1. Cost

Tenaska Washington II meets the first objective of the 1991 Council Plan: to acquire low-cost resources. 1991 Northwest Power Plan-Volume I, (91-04) at 32. As noticed in the Federal Register, annual or yearly costs are excluded from this section 6(c) review. The system cost analysis used for this

cost-effectiveness determination addressing consistency with the 1991 Council 1991 Plan is based on life cycle costs using levelized net present values. 57 Fed. Reg. 58,014 (1992).

BPA witness Buchanan testified that BPA relies on the definition of system cost outlined in the Northwest Power Act. The system cost methodology employed by BPA accounts for all direct costs of the resource in question, including the costs and benefits that the resource creates anywhere in the Pacific Northwest electric power system. The methodology also results in the identification of the resource with the lowest system cost. Buchanan at 6.

BPA's system cost calculations use real levelized cost calculations that are substantially similar to the procedures and the results used by the Council in its planning process. Both parties assume a five percent inflation forecast and both use a three percent real discount rate. In addition, both parties establish a resource's levelized cost and adjust it for other factors that affect system costs. Therefore, both parties use comparable methodologies to determine resource cost-effectiveness. Buchanan at 14-16.

The real levelized purchase price of Tenaska Washington II is 29 mills/kWh, which, after adjusting for various system benefits equals 25 mills/kWh (all resource costs and prices are expressed as real levelized costs in 1990 dollars unless otherwise noted). This is the system cost without any adjustment for risk. Fuel price risks add an additional 2 mills/kWh to the cost for a final risk adjusted system cost of 27 mills/kWh. Clarification at 61-66. All of the adjustments are shown in the accompanying table, Ex. TEN-6(c)-PS-02, and are fully discussed in the clarification transcript. Clarification at 46-67.

Tenaska Washington II is by definition a low-cost resource because it is cost-effective. It is cost-effective because no other available and similarly reliable resource had a lower incremental system cost.

a. Cost-effective when compared to other BPA acquisitions

All of the resources being acquired from the BPA Competitive Acquisition Program with the exception of Tenaska Washington II consist of conservation, renewables, and combinations of gas and renewable cogeneration technologies. Although BPA intends to acquire all of these resources, all of the generating resources cost more than Tenaska Washington II. Buchanan at 13-14. Because the BPA Competitive Acquisition Program is market-based, open to all prospective resource sponsors, the inability of these projects to compete with Tenaska Washington II is strong evidence that Tenaska Washington II is indeed cost-effective.

Not only did all of the other generating resources in the BPA Competitive Acquisition Program have higher system costs than Tenaska Washington II, other resources BPA is acquiring or is considering acquiring also have higher system costs. BPA is in the process of acquiring a cogeneration project with a 2 mills/kWh higher system cost and a hydro project with a system cost 5 mills/kWh higher. Panel at 10-11.

b. Cost-effective when compared to other resources in the Council Plan

Tenaska Washington II is not identified in the 1991 Council Plan for immediate acquisition. Nevertheless, the Council noted in the 1991 Council Plan that "[G]iven that the resource being proposed satisfies all parts of the definition of cost-effectiveness, and is compatible with the goals and objectives of the Plan, that resource should be acquired, again regardless of whether it is contained in the resource portfolio." 1991 Northwest Power Plan-Volume II, (91-05) at 796.

Tenaska Washington II is cost-effective because it has a system cost as low as resources identified in the Council's Plan for immediate acquisition. The low-cost resources in the Plan include not only efficiency improvements and conservation, but also generating resources. Those generating resources specifically mentioned are cost-effective hydroelectricity and cogeneration. 1991 Northwest Power Plan-Volume I, (91-04) at 32.

According to the 1991 Council Plan, there would be no cogeneration expected to be achievable in the region at nominal levelized prices of less than 6 cents per kilowatt-hour, which is equivalent to 3 cents per kilowatt-hour expressed in real levelized terms. 1991 Northwest Power Plan-Volume II, (91-05) at 483. Both the real levelized purchase price of Tenaska Washington II and the risk adjusted system cost of Tenaska Washington II are less than 3 cents per kilowatt-hour. Furthermore, both the Council and BPA have estimated that the real levelized cost of cogeneration based on similar technology to that represented by Tenaska Washington II is 3.8 cents per kilowatt-hour on average. 1991 Northwest Power Plan-Volume II, (91-05) at 485. See also Buchanan at 18.

Its technology and related costs are similar to the least expensive and most environmentally sound cogeneration facilities which are specifically called for in the Plan. Gas-fired cogeneration is a technology similar to Tenaska Washington II including having similar environmental effects. Buchanan at 18.

In addition, the Council's own estimate of regional avoided cost, which is the Council's benchmark for determining a resource's cost-effectiveness, is approximately 3.9 cents per kilowatt-hour. The risk adjusted system cost of Tenaska Washington II at 2.7 cents per kilowatt-hour is substantially lower. Buchanan at 17.

Issue: Whether nominal annual prices for the project must be made available to the public for BPA to evaluate the cost-effectiveness of Tenaska Washington II.

Summary of Position: BPA has testified that the cost-effectiveness test is not derivative of annual cost but rather is based on the system cost methodology which has been provided in detail in both the testimony and the clarification transcript. Buchanan at 5-7 and Clarification at 46-67. The Administrator is entitled to see the annual price in nominal dollars if he so requests. The information is otherwise proprietary and will not be distributed by BPA to any outside parties. 57 Fed. Reg. 58,017 (1992); See also Order in Response to Puget's Motion to Compel, TEN-6(c)-0-04. The reasons for BPA's position are set forth in its Reply to Puget Motion to Compel Discovery, dated February 26, 1993: the information is not relevant, is confidential and is ~~predecisional~~.

In its initial brief and brief on exceptions, Puget stated that it needs the annual price in nominal dollars that BPA would pay Tenaska so that Puget can make a full evaluation of cost-effectiveness of Tenaska Washington II. See Puget's Initial Brief at 5, 9-12; Puget's Brief on Exception.

Evaluation: The information is not relevant. BPA has made clear that the cost-effectiveness test is not a derivative of annual cost but rather is based on the system cost methodology which has been provided in detail in both the testimony and the clarification transcript. Buchanan at 5-7. See Clarification at 46-67. The Hearing Officer recognized this situation during a telephonic conference on February 25, 1993 between BPA, Tenaska, Puget, and Pentech, and ordered that "Puget's motion to compel a response to request no. PS/BPA:5 is DENIED." Order in Response to Puget's Motion to Compel, TEN-6(c)-0-04. That request was for the schedule of nominal payments in the Power Purchase Agreement. The redacted agreement is shown as Attachment 7.

The Power Purchase Agreement between Tenaska and BPA specifies a fixed set of prices to be paid during the life of the contract. The prices are not inverted; that is, they start at their lowest level and increase over time. See Clarification at 71. See also Attachment 7 at 41. Thus, the risk of overpayments for energy in the first years of the contract are minimized.

It is not necessary for a third party to know the year-by-year price structure to find that Tenaska Washington II is cost-effective. The cost-effectiveness determination relies on the real levelized purchase price modified by the system cost adjustments. The result, the adjusted system cost, also is a real levelized value. The resource having the lowest adjusted system cost is a cost-effective resource. Therefore, any year to year variation in the nominal price stream is irrelevant so long as the real levelized purchase price has been calculated correctly.

The information is privileged and confidential commercial information that is exempt from disclosure under the Trade Secrets Act, 18 U.S.C. Sec. 1905, and exemption 4 of the Freedom of Information Act and, therefore, from disclosure in this proceeding. See Section 6(c) Hearing Procedures at A-5, 51 Fed. Reg. 42,902 (1986). Disclosure would impair the Government's ability to obtain necessary information in the future and cause substantial harm to the competitive position of the person from whom the information was obtained. Voluntarily submitted information is confidential if it is of a kind that the provider would not customarily make available to the public. Critical Mass Energy Project v. NRC, 975 F.2d 871, 872 (D.C. Cir. 1992); BPA's Reply to Puget's Motion to Compel Discovery, Ex. TEN-6(c)-M-08.

The information is also predecisional information that is exempt from disclosure under exemption 5 of the Freedom of Information Act and, therefore, from disclosure in this proceeding. See Section 6(c) Hearing Procedures, p. A-5, 51 Fed. Reg. 42,902 (1986). This price information is part of BPA's deliberative process that is protected from disclosure. This price information is also protected from release under a privilege for confidential, commercial information under exemption 5. BPA's Reply to Puget's Motion to Compel Discover, Ex. TEN-6(c)-M-08.



Decision: Puget is not entitled and does not need to see the nominal price stream. See Order in Response to Puget's Motion to Compel, TEN-6(c)-0-04. Legitimate governmental interests are served by not making that information public. Puget had adequate opportunity to test the cost-effectiveness determination. The Administrator will be entitled to such information if needed to make a cost-effectiveness determination. Therefore, Puget's concern over this issue is adequately covered.

## 2. Reliability

Tenaska Washington II is also as cost-effective as a resource identified in the 1991 Council Plan for immediate acquisition because it is also as reliable as a resource identified in the 1991 Council Plan for immediate acquisition. The non-price factors needed to ensure the cost-effectiveness of the resource are incorporated in Tenaska Washington II. The Council states in Objective 1 of the 1991 Council Plan that all acquisition efforts called for in the 1991 Council Plan should comply with the acquisition principles described in Volume II, Chapter 11. 1991 Northwest Power Plan-Volume I, (91-04) at 36. These principles were designed to ensure that the many factors other than cost that influence the integration of a resource into a utility's system are incorporated in any resource planned for acquisition. Examples of those factors are the resource design, siting approval, system interconnection, proximity to major loads, plan for handling future uncertainties in costs of fuel, operations, and maintenance and repairs. 1991 Northwest Power Plan-Volume I, (91-04) at 36.

### a. Development Team

The development team of Tenaska Washington II ensures that the resource is as reliable as a resource identified for immediate acquisition by the Council because BPA believes the development team has the expertise necessary to bring the project on-line and operate it efficiently. Meyer, Ex. TEN-6(c)-BPA-01, 18. The development team for Tenaska Washington II is Tenaska Power Partners L.P. (Tenaska) consisting of Tenaska Inc., Continental Energy Services, Inc. (Continental), and Westpac Banking Corporation. Tenaska has experience in developing and managing more than 1,600 aMW of utility projects ranging in size from 50 MW to 450 MW. Panel at 7.

The Testimony of Thomas E. Hendricks on behalf of Tenaska confirms the experience of the development team by describing the capability of each of the partners to develop and manage a project such as Tenaska Washington II. First, Tenaska, Inc. is an energy company specializing in independent power generation and natural gas procurement and marketing. Hendricks at 2. Tenaska, Inc. also has the capabilities and experiences of Tenaska Marketing Ventures, a natural gas marketing partnership owned by Tenaska Marketing, Inc. and InterCoast Energy Company that markets more than 70 Bcf of natural gas per year in the United States. Id. at 2-3.

Continental, a wholly owned subsidiary of the Montana Power Company, has ownership interests in 705 MW of operating cogeneration and independent power plants and in 215 MW of plants under construction. North American Energy Services Company (NAES), a subsidiary of Continental, is a contractor for power plant operations and maintenance services. NAES provides operation and

maintenance for the Tenaska III Texas Partners 223 MW cogeneration plant located in Paris, Texas and has been selected to operate the 240 MW Frederickson, Washington plant for Tenaska. Id. at 3-4.

Finally, Westpac Banking Corporation has participated as lead bank or syndicated bank in more than 3,900 MW of cogeneration and independent power projects in the United States. Its operations extend to 29 countries, with global assets totalling \$90 billion. Hendricks at 4. BPA believes that the entities comprising Tenaska have the expertise necessary to develop a major resource such as Tenaska Washington II which is substantially equivalent to a resource identified by the Council.

b. Resource Design

Reliability of Tenaska Washington II is also demonstrated through the resource design selected by Tenaska. As testified by the Panel, Tenaska Washington II is as reliable as a resource identified for immediate acquisition by the Council because the resource design is presently in commercial operation with several units installed and operating, and several more units on order. Panel at 11. The unit Tenaska has offered BPA is the latest in a series of design developments. The turbine has had at least one year of prototype testing prior to being offered commercially. Id. In addition, the design offers higher combustion temperatures, thereby providing higher fuel efficiency and reducing the levels of emitted pollutants. The proposed facility would consist of one General Electric Frame 7FA combustion turbine-generator, one steam turbine-generator, and one heat recovery steam generator (HRSG). Id. at 7. The turbine would be operated in combined cycle as a wet system with steam injection directed into the inlet air to reduce nitrogen oxide (NOx) emissions. Id. at Page 6. The HRSG would contain supplemental firing capability (duct burners) to enhance warm weather (primarily mid-summer) operation.

Additionally, Tenaska Washington II's design is as reliable as a resource identified by the Council because it is as environmentally controlled as such a resource. The Council states in the 1991 Council Plan that "[A]cquisition efforts should maintain or enhance environmental quality." 1991 Northwest Power Plan-Volume II, (91-05) at 895. The 240 aMW project would utilize air emission controls that allow for the full twelve (12) months of continuous operation if called upon by BPA. The current air emission standard for NOx requires that the facility produce less than 100 tons per year, at which level offsets would be required. However, Tenaska Washington II is designed to reduce emissions of non-attainment pollutants (ozone and precursors: NOx, VOC, and CO) below the threshold levels in the 1990 Clean Air Act Amendments that would trigger emission offset requirements. Panel at 16. BPA has confidence that this plant as designed will reduce emissions of non-attainment pollutants below threshold levels thus alleviating offsets because Tenaska has had experience designing and commercially installing these types of turbines and the manufacturer has guaranteed the performance of these controls. Id. at 16-17. Consequently, the design of Tenaska Washington II is more environmentally controlled than a resource identified in the 1991 Council Plan, which ensures the resource's substantial equivalence to a resource identified in the 1991 Council Plan for immediate acquisition.

The configuration of the plant also includes a mechanical draft cooling tower to be built on-site for waste heat exchange, with water supplied by the City of Tacoma. Wastewater from the project would be discharged into the Pierce County Sanitary Sewer System. A gas pipeline approximately one-third mile long would be built to connect the generating plant to Northwest's pipeline. Also, the plant would connect to BPA's existing South Tacoma Switching Station which is located approximately one-half mile northwest of the proposed plant. Id. at 7. Therefore, because the resource design, as evidenced by current commercial operation and environmental control, is as reliable as a resource identified in the 1991 Council Plan, BPA believes further that Tenaska Washington II is substantially equivalent to a resource identified in the 1991 Council Plan for immediate acquisition.

c. Resource Interconnection

Tenaska Washington II is also as reliable as a resource identified in the 1991 Council Plan for immediate acquisition because the proximity of the project to the BPA system, connected by a short transmission interconnection line, contributes to the reliability that the output of the project will be available to BPA when needed. Clarification at 57-58 (transmission interconnection line will be less than two miles long for either the overhead or underground interconnection alternatives). A review of the existing local utilities' high voltage transmission service determined they would have insufficient capacity to reliably accommodate the 240 aMW of generation from the Tenaska plant. The BPA transmission system circuits near the project are two 230 kV lines (both single circuit), one being the Olympia-White River 230 kV line. Id. at 57-58; See also Panel at 8. BPA studied each of these circuits with a system flow analysis to determine whether the generation from Tenaska Washington II may be integrated into BPA's system over these circuits. BPA believes that for this level of generated output, a voltage level of 230 kV is necessary to provide a minimum of interruption during periods of heavy line use and unusual system transmission conditions. Clarification at 58. BPA expects to upgrade the existing South Tacoma Switching Station to a full substation to accommodate the integration. Panel at 7.

The interconnection plan for Tenaska Washington II also provides BPA with the benefit of minimized line losses. Id. at 12. As BPA stated in its response to Data Request PS/BPA:7, the geographical proximity of the facility to the proposed point of interconnection at the South Tacoma Switching Station minimizes line losses. The shorter the transmission line that connects the generator to the transmission system, the lower the losses will be on that line. BPA Data Response BPA/PS:7, Ex. TEN-6(c)-BPA-06. As stated earlier, the Tenaska Washington II facility would be located just one-half mile from the South Tacoma Switching Station. Therefore, because Tenaska Washington II may be integrated successfully into the BPA system, Tenaska Washington II is as reliable with regards to interconnection as a resource identified for immediate acquisition in the 1991 Council Plan.

d. Location

The location of the proposed facility also ensures that the resource would be as reliable as a resource identified in the 1991 Council Plan for immediate acquisition because the generation will be located in an area where it is most

needed. As the Council notes in the 1991 Council Plan, BPA and other regional utilities have become increasingly concerned with the ability of the power system to reliably deliver electricity into the Puget Sound area. 1991 Northwest Power Plan-Volume I, (91-04), at 42. Rapid load growth in the Puget Sound area has caused greater need for transmission from generation resources on the east side of the Cascade Mountains to demand centers on the west side. Among the actions considered to mitigate the problem is the addition of local generation on the west side of the Cascades. Tenaska Washington II represents such a project. More attributes of the location of Tenaska Washington II will be discussed in Section C.1. of this chapter.

Decision: Unrebutted testimony shows that Tenaska Washington II is as reliable as resources identified for immediate acquisition in the 1991 Council Plan. Tenaska's development team, resource design, resource interconnection plan, and location combine to make Tenaska Washington II a reliable resource substantially equivalent to resources identified in the 1991 Council Plan.

### 3. Risk-management

Tenaska Washington II is also as cost-effective as resources identified in the 1991 Council Plan because the risk management strategies necessary to ensure the cost-effectiveness of the project are present in the acquisition of Tenaska Washington II. The Council states in Objective 1 of the 1991 Council Plan that all acquisition efforts called for in the Plan should incorporate risk management strategies. 1991 Northwest Power Plan-Volume I, (91-04), at 36. BPA's Request for Proposals: Competitive Acquisition of Firm Electric Energy defines risk as the potential for unplanned cost increases or output decreases. Attachment 1 at 20. BPA's preference is to face minimum risks of output shortfall or cost overrun. BPA would prefer the risks to have little or no impact on the resource's total cost.

#### a. Price Risks

The price of Tenaska Washington II is as cost-effective as a resource identified in the 1991 Council Plan for immediate acquisition. The developer has provided assurances that risks will be minimized in the acquisition of this project. The nominal price to be paid for the energy are stated in the contract. The nominal prices and terms for displacement are also stated in the contract. Attachment 7 at 41. See also BPA Data Response BPA/PS:6, Ex. TEN-6(c)-PS-03 (attached Exhibit C, Page 1 of 7). The nominal payments are not inverted, thereby minimizing the risk of overpayment for energy in early years of the contract term. Clarification at 71. Over the first 20 years of the contract, the levelized cost of power will be less than 3 cents per kilowatt hour (1990 dollars). The developer guarantees this all-energy price and BPA will pay only for the kilowatt hours delivered. Panel at 11. See also BPA Data Response BPA/PS:6, Ex. TEN-6(c)-PS-03.

#### b. Financial Risks

Furthermore, Tenaska has agreed to take on the financial risk associated with any future changes in equipment due to environmental regulation and other costs risks, such as property tax increases, that may develop over the life of

the project. Attachment 7 at 13. Tenaska is committed to a comprehensive security package that provides for penalties for delay if Tenaska Washington II does not come on-line in a timely fashion. Commercial operation could begin as early as summer 1996. Panel at 9. The security package mentioned above also includes a comprehensive insurance package protecting BPA from exposure and ensuring that the plant will be rebuilt in the event of a catastrophe. Attachment 7 at 27.

c. Fuel Price Risks

One other risk factor that is adequately covered in the Tenaska Washington II agreement is fuel price uncertainty. During the proposal evaluation process, BPA considered fixed long-term contract pricing as potentially risky because gas suppliers might default on price terms if market gas prices significantly exceeded the fixed price schedule. See Buchanan at 10-13. The Tenaska Washington II proposal was assigned such a risk value because the proposed project's energy prices represented a fixed fuel schedule. Id. at 11. However, even after adding the risk adjustment, Tenaska Washington II still had the lowest system cost of all of the generating resources offered to BPA under the Competitive Acquisition Program, including all of the renewable resources.

The fuel price arrangements obtained by Tenaska protect BPA from higher than expected costs. The Panel testified that Tenaska guaranteed a 20-year, fixed gas supply. Panel at 13. The fuel supply arrangements rely on multiple gas suppliers, insulating the ratepayers from fluctuations in fuel prices. The firm transportation for the total gas requirements of the project also contributes to the reduction of risk. It has been stated previously that the development team assembled is more than capable of securing the fuel supply and firm transportation needed for Tenaska Washington II.

In addition, the project is fully displaceable, obligating BPA to pay for fuel that is actually required to run the project when needed. Attachment 7 at 41-43. BPA will determine its need for the output of this project on a month-to-month basis. The price savings for not running the project are stated in the contract for a specific number of months. Savings for displacing the project in subsequent months shall be determined by a formula tied to actual spot-market prices for gas and will be known to both parties, thereby, minimizing uncertainty when a decision to displace the project needs to be made. Savings which result from remarketing the project's fuel and associated transportation will be shared by both BPA and Tenaska. Id. at 42; See also BPA Data Response BPA/PS:6, Ex. TEN-6(c)-PS-03 (attached Exhibit C, Page 5 of 7).

As a further hedge against risk associated with reliance on natural gas, as market prices of gas increase, the value of BPA's power also increases. To the extent that BPA's surplus sales revenues increase as a result, ratepayers will be protected against gas price risks.

This displaceability also gives BPA the flexibility to have the project on-line or out of operation for specified periods of time. The ability to displace thus allows BPA to more effectively schedule loads and mitigate the effects of an increasingly constrained hydro system due to the protection, mitigation, and enhancement of fish and wildlife.

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Finally, Tenaska will arrange to have 5 days of back-up fuel oil at the site to be used only under specific conditions. Thus, fuel availability will not be compromised during periods of high fuel demand.

Decision: Consequently, un rebutted testimony show that the price, financial, and fuel risks strategies in place for the acquisition of Tenaska Washington II ensure that the project will be as cost-effective as a resource identified in the 1991 Council Plan for immediate acquisition.

#### 4. Environmental Effects

Tenaska Washington II is not only as cost-effective and reliable as a resource identified in the 1991 Council Plan for immediate acquisition, but it is also as environmentally sound as a resource identified for immediate acquisition. The Council states in Objective 1 of the 1991 Council Plan that all acquisition efforts called for in the 1991 Council Plan should comply with the acquisition principles described in Volume II, Chapter 11. 1991 Northwest Power Plan-Volume I, (91-04) at 36. These principles were designed to "ensure the cost-effectiveness of resources, and the incorporation of important environmental criteria ... in the acquisition process." Id. The 1991 Council Plan states that [a]cquisition efforts should maintain or enhance environmental quality. Acquisitions that lead to environmental degradation should be avoided or minimized." 1991 Northwest Power Plan-Volume II, (91-05) at 894.

##### a. Siting Design and Plant Operation

The Council's goal in siting design and plant operation is "to direct new resource construction toward sites that will have the lowest possible environmental disruptions." Id. at 11. The proposed use for the Tenaska Washington II site is consistent with the land use designation and compatible with surrounding uses. The project is able to use the existing infrastructure such as the existing natural gas pipeline and the existing transmission corridor. In addition, there are no known cultural or archaeological resources at the site so none would be affected even if underground cables are used instead of overhead lines for transmission interconnection. Panel at 15-16.

Water for the steam supply and cooling would be supplied by the City of Tacoma. Id. at 16. The City of Tacoma Public Utilities and Tenaska have signed an agreement regarding the availability of sufficient water for the plant's needs and the terms and conditions of such water use. The City's water supply is derived from the Green River, a surface water resource area, and is augmented by groundwater. There is no anticipated impact on surface water levels or on fishery resources.

Sanitary wastewater would be discharged into the Pierce County Sanitary Sewer System. Id. at 17. The wastewater will be treated to meet all Pierce County discharge regulations. The wastewater treatment system will include a water/oil separator and a system which neutralizes wastewater prior to discharge. Lebens, Ex. TEN-6(c)-TP-02, 5.

The Tenaska Washington II plant would be constructed and operated according to design specifications to meet or exceed all county, state, and Federal permits, regulations, standards and building codes to avoid or minimize air pollutant and fugitive dust emissions, noise, storm water runoffs and soil and water contamination. In addition, the plant would be designed with the best available control technology (BACT) to limit air emissions. Id.

b. Air Quality

In order to meet all requirements, the project will use clean fuels. Natural gas is the primary fuel, and low sulfur fuel oil (0.05% sulfur) will be used as an emergency backup. Lebens at 2. Emergency backup fuel was considered desirable in the solicitation, thus the availability of low sulfur fuel oil enhances the reliability of Tenaska Washington II. Attachment 1 at 48 and Attachment 2 at 37. The alternative to low sulfur fuel oil was liquid propane gas (LPG) which would have created more environmental health and safety problems in terms of transportation and storage, as well as increasing costs. Backup fuel oil at the site would be used only under specific conditions. Panel at 13. The BACT to limit air emissions anticipates the use of low sulfur fuel oil. Therefore, the design of Tenaska Washington II assures the ability to meet air quality emission levels even with the use of low sulfur fuel oil. In addition, the project is being designed to utilize state-of-the-art emission controls technology, including gas turbine steam injection, selective catalytic reduction (SCR), low nitrogen oxides (NOx) burners, and oxidation catalyst for carbon monoxide (CO) and volatile organic compound (VOC) control. Id.

Ambient air quality modeling conducted for the project shows that NOx, particulates, CO, sulfur dioxide (SO2) and air toxics impacts will be below Environmental Protection Agency and Puget Sound Air Pollution Control Agency significant levels for non-attainment pollutants and below the threshold for prevention of significant deterioration review. Id.

The Tenaska Washington II project is designed to exceed the existing Northwest standard for NOx emissions. BACT for other gas-fired generation in the state of Washington is 7 parts per million (ppm), while the design for NOx emissions at Tenaska Washington II is 3 ppm. Id. at 2-3. Source test data from plants in California show they have actually achieved concentrations below 3 ppm. Tenaska will employ the same processes used in these plants. Id.

BACT for the control of CO and VOCs will also exceed requirements. The oxidation catalyst installed will be designed for 80% reduction of CO emissions and 30% reduction of VOC emissions. Other gas turbine plants have been permitted in the state of Washington without an oxidation catalyst being required. Id.

c. Displaceability

Tenaska Washington II is 100% displaceable. This means that acquisition of output from this project mitigates the effects of a constrained hydropower system due to the protection, mitigation, and enhancement of fish and wildlife, related spawning grounds, and habitat. Panel at 17.

d. CO2 Sequestration and Other Environmental Activities

Tenaska is also pursuing other activities to ensure Tenaska Washington II is an environmentally sound resource. As set out in its Letter of Intent (Exhibit TEN-6(c)-BPA-04, Attachment 7), Tenaska has voluntarily committed \$1,000,000 of its profit toward cost-effective CO2 sequestration projects in an effort to help offset CO2. Id. Actions being considered by Tenaska take the form of "carbon offsets" where one action offsets the carbon contribution of another action (in this case, the Tenaska Washington II plant's carbon contribution). Zicafoose at 2-3. Among the many strategies being researched for possible use for carbon offsets are biotic measures, which encompass such approaches as slowing or suspending the loss of existing forests (forest preservation), creation of new biomass storage (afforestation, reforestation, plantations), increasing or making more efficient use of artificial reservoirs (timber products), and increasing carbon stored in nonliving reservoirs (enhanced soil fertility). Id. at 3-4.

Tenaska has retained the services of a leading authority on carbon mitigation and offset strategies to assist them in developing and analyzing viable options. Id. at 4. Tenaska believes that some type of carbon forestry program makes the most sense, and have currently narrowed the choices to projects in Russia, Costa Rica, and the state of Washington. Id. at 5. Since carbon removed at a point distant from its source has the same net benefit as carbon removed at the source, a global review of potential carbon offset projects is not a cause for concern. Id. at 7. Tenaska estimates it could sequester 7% to 50% of the carbon emitted by Tenaska Washington II through various sequestration projects. Id. Tenaska hopes to include its final project choices in the Final Environmental Impact Statement (EIS), which is scheduled to be released in the spring of 1994.

Tenaska is also working with the Clover Creek Council, a local citizens group, whose mission is to restore and maintain the Clover Creek watershed which is currently in a severely degraded condition. Id. at 10. While the Tenaska Washington II project would be located in the Clover Creek watershed, the distance of the proposed site from Clover Creek is approximately one mile. Due to the distance of the proposed site from Clover Creek, and the strict environmental standards to which the facility would conform, there would be no unfavorable impacts on Clover Creek by Tenaska Washington II. Zicafoose at 11. Tenaska has participated in a review of the Clover Creek Council's plans for an environmental education program targeted at youth in the Clover Creek watershed area, and have invited the Clover Creek Council to offer Tenaska a proposal for financial support for the educational project. In addition, Tenaska has provided the Clover Creek Council with a grant to help with organizational development and project support. These funds were expended on application for federal nonprofit status, the purchase of laboratory equipment and supplies for the water quality analysis program, and to purchase 500 to 600 trees for the group's spring tree planting events. Id. at 14.

Decision: BPA believes that the use of existing infrastructures, the lack of known cultural or archaeological resources at the site, and design specifications that minimize environmental disruption during construction and operation ensure that Tenaska Washington II is substantially equivalent to a resource identified in the 1991 Council Plan for immediate acquisition.



Also, BPA believes this resource is as environmentally sound as a resource identified in the 1991 Council Plan for immediate acquisition since the design of Tenaska Washington II is more environmentally controlled. The Tenaska Washington II plant is designed to reduce emissions of non-attainment pollutants below the threshold levels in the 1990 Clean Air Act Amendments that would trigger emission offset requirements. Panel at 16.

Finally, BPA believes that Tenaska's voluntary efforts to address the CO2 contribution of Tenaska Washington II through various CO2 sequestration projects, in addition to its other environmental support activities, serve to minimize the environmental effects of the project and ensure a resource as environmentally sound as a resource identified by the Council for immediate acquisition.

B. Acquisition of 240 aMW of Firm Energy from Tenaska Washington II Substantially Meets Objective 2 of the Council's Plan--Bonneville should Investigate Methods for Cost-effectively Backing Up the Region's Non-firm Hydropower

The 1991 Council Plan sets forth in its second objective that BPA should investigate alternative methods for cost-effectively backing up the region's non-firm hydropower. 1991 Northwest Power Plan-Volume I, (91-04) at 37. Specifically, the Council Plan states that interregional energy transactions, increased interruptible loads within the region, and gas-fired combustion turbine power plants are prime candidates for hydrofiring. Hydrofiring means that a resource would complement the hydrosystem by virtue of its displaceability when sufficient low-cost non-firm power is available. 1991 Northwest Power Plan-Volume I, 91-04 at 38.

Tenaska Washington II is a fully displaceable, non-dispatchable resource. This means that all 248 MW of the plant can be displaced and there is no limit on the number of hours over which the plant can be displaced. Displacement is solely at the discretion of BPA. BPA must notify Tenaska 30 days prior to the beginning of each month in which displacement will occur during the Base Level Displacement period, but there are no restrictions on which months during the year can be displaced. For displacement after the Base Level Displacement period only 15 days notice is required. However, BPA has no obligation to displace the project unless it is economic to do so. Attachment 7 at 41-42.

During periods of low-cost non-firm power availability Tenaska Washington II can be displaced by BPA at its discretion, thereby saving operating costs and reducing the likelihood of spill. Buchanan at 18-19. During the first months of displacement, BPA would avoid approximately 13 mills/kWh. The displaceable costs are fixed by a schedule of prices and agreed to by contract. Attachment 7 at 41-42. Thus, whenever non-firm or other, less expensive power is available having an opportunity cost of less than 13 mills/kWh in 1990 dollars, Tenaska Washington II could be displaced economically. BPA would pay only for the availability of the project during periods of displacement.

The avoided cost savings from additional months of displacement beyond the Base Level Displacement period would depend on actual spot-market prices. Based on BPA's forecasts of market prices for natural gas, the estimated

savings would be approximately 20 mills/kWh in 1990 dollars. Thus, because BPA must pay only for fuel actually required to run the project, BPA always has an incentive to displace the project, provided sufficient lower cost non-firm or other power is available; and, Tenaska always have incentive to re-market gas at favorable prices which would increase its profits. Attachment 7 at 41-42.

Under normal operations, BPA would displace the project whenever its alternative energy resource has a marginal variable cost less than the avoidable cost of displacement of Tenaska Washington II. This avoidable cost of displacement, 13 mills/kWh real levelized in 1990 dollars, is fixed by contract for the Base Level Displacement period. Attachment 7 at 41-42. Following that period, the avoidable cost of displacement forecast to be 20 mills/kWh in real levelized 1990 dollars, depends on the spot market price of gas. As gas prices increase, the incentive for BPA to displace the project increases because higher costs can be avoided by doing so. If gas prices are low, then BPA has an incentive to operate the project. If gas prices are low enough, the marginal operating cost of operating the project could even be less than the price of non-firm power sold out of the region. Regardless of the actual prices, BPA's incentives to displace the project are based on economic considerations and any such decision is completely at BPA's discretion. Id.

The 1991 Council Plan indicates that hydrofiring strategies will become even more important if spring flows are increased for fish because such flows could convert firm energy to non-firm energy. In its 1991 Council Plan, the Council notes that "Future flow requirements may convert additional firm hydroenergy to non-firm energy. If so, this additional non-firm may increase the amount, on average, that turbines can be displaced and thus increase the relative cost-effectiveness of the various firming strategies... A significant component of the effort to back up additional non-firm hydropower likely will be natural gas-fired combustion turbines." 1991 Northwest Power Plan-Volume I, (91-04) at 37.

Consequently, the hydrosystem may become increasingly constrained and therefore less flexible. Flexibility is needed to maintain system stability and respond to changes in loads, changes in market conditions, and changes in water conditions. As a hydrofiring resource, Tenaska Washington II replaces some of the lost hydrosystem operating flexibility at relatively low cost. Meyer at 22. In such a case, Tenaska Washington II substantially meets Objective 2 of the 1991 Council Plan to an even greater extent because its full displaceability provides more flexibility to the hydropower system. Therefore, BPA's resource choice of Tenaska Washington II becomes even more valuable. Buchanan at 19.

Decision: Unrebutted testimony shows that Tenaska Washington II is a hydrofiring resource, consistent with Objective II of the 1991 Council Plan. As a hydrofiring resource, Tenaska Washington II can respond to changes in loads, market conditions and water conditions. Because the resource is fully displaceable, it can replace some of the lost hydrosystem operating flexibility due to increased flows for fish. Further, Tenaska Washington II can be displaced during periods when low-cost hydropower is available, thus saving operating costs and reducing the likelihood of spill.

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C. Acquisition of 240 aMW of Firm Energy from Tenaska Washington II is of Additional Benefit to the Region Due to its Westside Location and Ability to Diversify the Resource Base.

1. Location

Tenaska Washington II is of additional benefit to the Region as the project will be located in the Puget Sound area which is a concern of the Council Plan. 1991 Northwest Power Plan-Volume I, 91-04 at 8. In the 1991 Council Plan, the Council recognized that proximity to major loads was an important factor in siting new generation. 1991 Northwest Power Plan-Volume I, (91-04) at 42-43.

BPA's own Request for Proposals: Competitive Acquisition of Firm Electric Energy encouraged project sponsors to consider location in their project submittal. Based on known constraints on the existing BPA transmission system, BPA pointed out that proposals relying on particular transmission paths (i.e. Montana-PNW Interconnection, Cross-Cascades Transmission into Puget Sound, etc.) might bear additional costs for changes to the BPA system. Attachment 1 at 17. Further, sponsors were informed that during project evaluation "location-specific benefits and costs may arise due to Resource location." Id. As an example, voltage collapse problems in the Puget Sound Area (north to the Canadian border, south to Centralia, east to the Cascade ridge, and west to the Pacific Ocean) dictate that new resources developed in this area have added value when they reduce the need for transmission into the Puget Sound Area or contribute to supporting voltages in the area during periods of heavy load. Id.

In his testimony, Meyer references the credit extended to resource projects located on the western side of the region, and the potential for alleviating the growing transmission limitations in the Puget Sound area. Meyer at 20; See also Attachment 1 at 89. Tenaska Washington II qualified for this extra credit because it is located on the west side of the Cascades at the southern end of the Puget Sound area load center. Specifically, the proposed plant is to be located on Port of Tacoma property at Frederickson Industrial Area near Spanaway, Washington.

The Panel testified that the project is well situated to use the existing infrastructure such as the existing natural gas pipeline approximately one-third mile southeast of the plant site, and the existing BPA transmission corridor and switchyard which can be modified to accommodate the integration of the plant output from Tenaska Washington II. Panel at 16. The site is already zoned Heavy Industrial (M-2) and the plant is compatible with that use. Surface transportation and roadways already exist to service this site.

Decision: Unrebutted testimony shows that Tenaska Washington II is of additional benefit to the Region as it is west side resource. Further, Tenaska Washington II may alleviate some of the growing transmission system limitations in the Puget Sound Area.

## 2. Diversity

Acquisition of up to 240 aMW of firm energy from Tenaska Washington II is of additional benefit to the Region because the project will broaden the regional resource base. According to BPA witness Meyer, about 90% of BPA's firm energy is now supplied by hydropower. Meyer at 21. As the 1991 Council Plan notes, there is just about enough power supplied by the existing system to meet regional electricity needs at their present level. 1991 Northwest Power Plan-Volume I, (91-04) at 6. Stresses on the existing system such as low streamflows, little precipitation, and colder than average temperatures could reduce BPA's ability to generate electricity. Further, the region could shortly be compelled to permanently forfeit some firm hydropower to protect salmon. Meyer, Supplemental at 1.

The proposal to acquire up to 240 aMW from Tenaska Washington II provides BPA with a means for diversifying its resource base. Without the acquisition of Tenaska Washington II, BPA would continue to rely heavily on one resource type - hydropower. Much like a financial portfolio, the acquisition of a gas-fired resource such as Tenaska Washington II spreads risks across different resource types. This reduces the vulnerability of the system from the risks that may be associated with a single resource type. Thus, the acquisition of Tenaska Washington II would increase resource diversity while improving overall system reliability and performance. Id. This diversity is consistent with the 1991 Council Plan's objective "that would allow us to replace the lost resource at the lowest possible cost and with the least impact on system reliability." 1991 Northwest Power Plan-Volume I, (91-04) at 43.

Therefore, Tenaska Washington II is of additional benefit to the Region as it adds diversity to a system heavily relying on hydropower. Consequently, BPA and the region may have more confidence in the reliability of the power system because of this proposed new resource.

Decision: Unrebutted testimony shows that Tenaska Washington II is of additional benefit to the Region, consistent with the Council's Criteria for 6(c) Review (August 17, 1992). Further, Tenaska Washington II helps BPA diversify the resource base. With the acquisition of Tenaska Washington II, BPA will spread risks among different resource types and reduce the vulnerability of the system from the risks that may be associated with an overdependence on one resource type -- hydropower.

## CHAPTER VI

### CONSISTENCY WITH THE GOALS AND OBJECTIVES OF THE COUNCIL'S FISH AND WILDLIFE PROGRAM

Acquisition of 240 aMW of Firm Energy from Tenaska Washington II will not Conflict with the Council's Fish and Wildlife Program and Meets All Federal, State and Local Environmental Standards.

#### a. Council Fish and Wildlife Program

In accordance with BPA's Decision Document Supporting the Policy for Section 6(c) of the Northwest Power Act (November 12, 1986), BPA must evaluate each proposal made under section 6(c) for consistency with the provisions of the Council's Fish and Wildlife Program.

BPA's site-specific environmental study for Tenaska Washington II indicates there are no fish species or habitats of concern on the proposed project site, the nearest fishery habitat is approximately one mile north of the site, and the site is not within the 100-year or 500-year floodplain. Panel at 14. In addition, the BPA site-specific environmental study indicates there are no wildlife species or habitats of concern on the proposed project site. The locale is one of former agricultural use in transition to more developed industrial and residential uses. Any small birds or mammals will be temporarily displaced during construction, but will likely return after construction and revegetation of the area, and no nesting activity has been observed at the site. Id. at 15.

#### b. Compliance with Environmental Standards

The primary purpose of regional review under section 6(c) of the Northwest Power Act is to determine whether a given BPA acquisition proposal is consistent with the then effective Council's Plan, and not to assume responsibility for State siting and licensing authority. The section 6(c) process should not become another layer to be added to the complex interrelationship of State and Federal statutory responsibilities in the areas of environmental protection and project licensing. Decision Document at 10-11. BPA believes that Tenaska has identified all necessary permits and approvals required by Federal, state, and local agencies, and has a sound plan for obtaining all of these in a timely manner. Id. at 8.

Zoning approval has been received from Pierce County, Washington, and Tenaska has applied to the Puget Sound Air Pollution Control Authority for an air quality and notice to construct permit. Id. The current air emissions standard for NOx requires that the facility produces less than 100 tons per year. Panel at 16. BACT for other gas-fired generation in the state of Washington is 7 parts per million ("ppm"). The design NOx emissions at Tenaska Washington II are only 3 ppm. Lebens at 3. In addition, BPA has negotiated an output contract with Tenaska. In the agreement, Tenaska guarantees an all-energy price and BPA will pay only for the kilowatt hours delivered. Panel at 11. This means, for example, that if Tenaska Washington II cannot operate due to reaching its permitted emissions level, then Tenaska will not get paid because the facility is not producing kilowatts. This

creates a significant economic incentive to remain within air emissions permitted levels. Tenaska's experience in permitting and licensing combined cycle combustion turbines similar to Tenaska Washington II provides additional assurance that Tenaska Washington II will meet all applicable environmental standards.

In accordance with section 6(c)(4)(A) of the Northwest Power Act, which requires the Administrator to state the procedures followed or to be followed for compliance with the National Environmental Policy Act (NEPA), and the requirements of NEPA, BPA plans to prepare an Environmental Impact Statement (EIS) on the Tenaska Washington II proposal. The NEPA analysis will fully address all environmental concerns related to Tenaska Washington II, including the effects of the proposed project on water supplies, noise pollution, air pollution, etc. The EIS will also examine Tenaska Washington II's ability to meet all applicable permitting and licensing standards. The draft EIS will be circulated for public review and comment in the summer of 1993. The final EIS will be available in early 1994, and a record of decision should be issued in the spring of 1994. Id. at 9.

Decision: Unrebutted testimony shows the Tenaska Washington II proposal will have no impact on the provisions of the Council's Fish and Wildlife Program. In addition, BPA is confident Tenaska Washington II will meet all applicable Federal, State, and local environmental standards.

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## CHAPTER VII

### PAYMENT OF PRECONSTRUCTION AND INVESTIGATION EXPENSES

#### Payment of Preconstruction and Investigation Expenses to the Sponsors of Tenaska Washington II Substantially Meets the Goal of the Council's Plan of Ensuring that the Pacific Northwest has an Adequate, Efficient, and Reliable Electricity Supply Well into the Next Century.

Section 6(a)(2) of the Northwest Power Act authorizes the Administrator to acquire sufficient resources, including conservation and renewable resources, to meet BPA's contractual obligations. 16 U.S.C. § 839d(a) (1988). Moreover, section 6(b)(3) authorizes the Administrator to acquire resources that are consistent with sections 4(e)(1) and 4(e)(2) of the Northwest Power Act. Finally, section 6(i) directs the Administrator to structure acquisition contracts with terms and conditions that will ensure "timely construction, scheduling, completion, and operation of resource." 16 U.S.C. § 839d(i) (1988).

Pursuant to section 6(c)(1) of the Northwest Power Act, BPA proposes to pay preconstruction and investigation expenses to Tenaska should the resource fail after a finding of consistency by the Council. The preconstruction and investigation expenses would be paid to the sponsor of Tenaska Washington II in the event that, despite good faith efforts by both parties, BPA does not acquire or Tenaska is unable to construct the resource. 57 Fed. Reg. 58,014 (1992). These expenses do not include the procurement of capital equipment or the expenses of construction. 57 Fed. Reg. 31,361, 31,362 (1992).

The terms and conditions under which BPA would pay preconstruction and investigation expenses are identified in section C.6. of the Letter of Intent between BPA and Tenaska, dated July 16, 1992. These conditions include a project failure because of unmitigated environmental consequences, denial of governmental permits or approvals or for other reasons the BPA Administrator decides not to acquire and Tenaska decides not to construct the project. Attachment 7 at 4.

As noted by BPA witness Meyer, payment of preconstruction and investigation expenses puts BPA on a level playing field with other utilities in the Region. Meyer at 22. Unlike other power purchasers, BPA is unable to execute a power purchase agreement until both the National Environmental Policy Act (NEPA) and section 6(c) processes are completed.

Payment of preconstruction and investigation expenses also provides cost-effective insurance that BPA will have an adequate energy supply when needed to serve the region's demand for power. This insurance is substantially consistent with the 1991 Council Plan goal of securing a reliable, cost-effective electricity supply well into the next century. 1991 Northwest Power Plan-Volume I (91-04), at 1. (emphasis added). Further, planning, designing, and securing approvals and constructing power facilities require long lead times. As the 1991 Council Plan notes, some power plants may take a number of years to go from concept to power production. 1991 Northwest Power Plan-Volume I, (91-04), at 36. In BPA's judgment, Tenaska would not begin preconstruction work without some guarantee of payment from

BPA should the resource fail after a finding of consistency by the Council. Meyer at 22. In exchange for paying preconstruction and investigation expenses, BPA has a firm guarantee that the resource will be available when needed. As such, payment of preconstruction and investigation expenses is a cost-effective means for managing risk.

Summary: The goal of the 1991 Council Plan is to ensure the Pacific Northwest has an adequate, efficient and reliable electricity supply well into the next century. First, payment of preconstruction and investigation expenses puts BPA on a level playing field with other utilities in the Region that are acquiring resources. Moreover, without the payment of preconstruction and investigation expenses, Tenaska would be unwilling to give up its right to sell the output of Tenaska Washington II to other purchasers. Finally, payment of preconstruction and investigation expenses provides cost-effective insurance that the resource will be available to BPA to serve the Region's demand for power when needed.

Decision: Unrebutted testimony shows that BPA's proposal to pay preconstruction and investigation expenses to the sponsors of Tenaska Washington II, if the resource fails after a finding of consistency by the Council, is consistent with the goals of the 1991 Council Plan.

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## CHAPTER VIII

### SUMMARY OF BPA'S PROPOSAL

The 6(c) Decision Document supporting BPA's 6(c) Policy contains specific directives on the consistency standard. "[C]onsistency should be tested against the relevant and broad objectives of the Plan . . . a proposal may achieve substantially the relevant goals and objectives of the Plan without exactly matching Plan details . . . Detailed implementation or design statements are not goals and objectives [of the 1991 Council's Plan] in the context of Section 6(c) consistency determination." Decision Document at 14.

For all the reasons discussed above, the proposal to acquire up to 240 aMW of firm energy from Tenaska Washington II is substantially equivalent to a resource identified in the 1991 Council Plan for immediate acquisition. In summary, the acquisition of Tenaska Washington II is one cost-effective way by which BPA can acquire resources taking into account the trade-offs among cost, reliability, risk-management and environment reflected in the 1991 Council Plan. See Council Document No. 92-25, Process and Criteria to be used in 6(c) Review, August 17, 1992.

BPA is implementing a comprehensive set of actions and programs to achieve the objectives in the 1991 Council Plan of which Tenaska Washington II is one part. Additionally, acquiring Tenaska Washington II is one element of a comprehensive BPA supply side strategy to achieve the overall objectives of the 1991 Council Plan, including the immediate acquisition of low cost resources. Further, the acquisition of Tenaska Washington II will not reduce BPA's efforts to acquire higher priority resources identified in the Act, such as conservation and renewables. Meyer at 17. Finally, Tenaska Washington II has additional value to the Region as it is a west side resource which may help alleviate the growing transmission limitations in the Puget Sound Area. Id. at 20.

Payment of preconstruction and investigation expenses to the sponsors of Tenaska Washington II provides BPA with cost-effective insurance to manage future risk and uncertainty. In BPA's judgment, Tenaska would not begin preconstruction work and give BPA an exclusive right to the resource without some payment from BPA. Id. at 22. In exchange for a guarantee to pay preconstruction and investigation expenses should the resource fail, BPA has a guarantee that the resource will be on-line and available when needed. Further, in BPA's judgment, payment of preconstruction and investigation expenses puts BPA on a level playing field with other utilities in the Pacific Northwest. Id.

Finally, the acquisition of up to 240 aMW of firm energy from Tenaska Washington II has no impact on any provision of the Council's Fish and Wildlife Program. Id. at 19.

CHAPTER IX

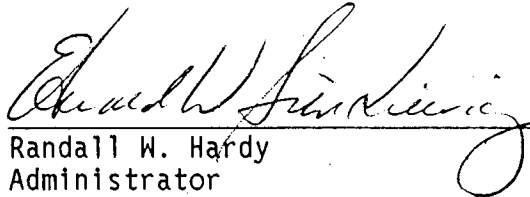
CONCLUSION

BPA has made the determinations required under section 6 of the Northwest Power Act. The proposal to acquire up to 240 aMW of firm energy from Tenaska Washington II is substantially equivalent to a resource identified in the 1991 Council Plan for immediate acquisition and substantially achieves the goal of the Council's 1991 Plan. Moreover, the proposal to pay preconstruction and investigation expenses to the sponsors of Tenaska Washington II substantially achieves the goals of the Council's 1991 Plan. Finally, the acquisition of up to 240 aMW of firm energy from Tenaska Washington II has no impact on the provisions of the Council's Fish and Wildlife Program.

In performing his duties under section 6(c) of the Northwest Power Act, the Hearing Officer has conducted a full and fair hearing open to all interested parties and participants. All parties in this proceeding have been given every reasonable opportunity to engage in discovery, present testimony, cross-examine adverse witnesses, and submit briefs. A record of this proceeding includes all materials submitted to or developed by BPA.

I hereby determine that the proposal to acquire up to 240 aMW of firm energy from Tenaska Washington II and to pay its sponsor's preconstruction and investigation expenses, is consistent with the Council's 1991 Plan.

Issued at Portland, Oregon, this 28th day of May 1993.

*for*   
Randall W. Hardy  
Administrator

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