



Department of Energy

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

SECURITY AND CONTINUITY OF OPERATIONS

September 16, 2013

In reply refer to: NN-1

Charles Johnson
Physicians for Social Responsibility
812 SW Washington St, Ste 1050
Portland, OR 97205

FOIA #BPA-2013-01679-F

Dear Mr. Johnson:

This is a final response to your request for records that you made to the Bonneville Power Administration (BPA), under the Freedom of Information Act, 5 U.S.C. 552.

You requested the following:

“BPA's response to the Redman Report, which was provided to Public Power Council (PPC) in February of 2008.”

Response:

BPA is releasing the enclosed responsive document in its entirety.

Pursuant to 10 CFR 1004.8, if you are dissatisfied with this determination, or the adequacy of the search, you may appeal this FOIA response in writing within 30 calendar days of receipt of a final response letter. The appeal should be made to the Director, Office of Hearings and Appeals, HG-1, Department of Energy, 1000 Independence Avenue, SW, Washington, DC 20585-1615. The written appeal, including the envelope, must clearly indicate that a FOIA Appeal is being made.

There are no fees associated with this request.

Please contact Kim Winn, FOIA Specialist, at 503-230-5273 with any questions about this letter.

Sincerely,

/s/Christina J. Munro
Christina J. Munro
Freedom of Information/Privacy Act Officer

Enclosure



Department of Energy

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

EXECUTIVE OFFICE

February 5, 2008

In reply refer to: A-7

Mr. Scott Corwin, Executive Director
Public Power Council
825 NE Multnomah, Suite 1225
Portland OR 97232

Dear Mr. Corwin:

Energy Northwest (EN) gave a presentation to the Public Power Council (PPC) on October 31, 2007, regarding relationship issues between EN and the Bonneville Power Administration (BPA), and about the need to make improvements/investments in the Columbia Generating Station (CGS). This presentation had, as part of its basis, the observations and recommendations of the "Redman" and Institute of Nuclear Power Operations (INPO) reports. As you are aware, the issues surrounding the relationship have received considerable attention over the past year. I would like to update you regarding actions taken in an effort to improve the relationship between BPA and EN.

First, it is important to understand that we believe CGS is an extremely important part of our existing asset base, an integrated component of BPA's generation fleet from an (1) operations, (2) financial, and (3) legal perspective. In fact, it is defined in law as part of the Federal Base System. BPA's ratepayers have total cost responsibility for the project. We are expecting CGS to be part of our 20-year Tier 1 contracts. As such, we want long-term safe, reliable, efficient operation of this plant. This is a goal we share in common with EN management and the Executive Board.

Two reports have been released in the last year that address the BPA-EN relationship. The Redman report provided what we believe to be a balanced review of the existing relationship, identifying the respective roles of the parties and suggesting that both BPA and EN need to make changes for the relationship to improve. We urge interested parties to read the full report to get its full flavor. The INPO report includes some interesting conclusions that we believe are worthy of follow up but lacks a clear understanding of the legal underpinnings of the EN-BPA relationship reflected in the Redman report. It also was assembled with no discussion with BPA senior management, something we hope to alter in the future. EN developed its own set of corrective actions to respond to the two reports.

I addressed the EN Executive Board (Board) in August 2007 regarding the BPA relationship and the changes EN was proposing to make. I made several recommendations to the Board regarding actions we collectively should take in an effort to improve the BPA-EN relationship.

First, I proposed adoption of an overarching principle to guide each party as we initiate efforts to improve the relationship. The draft principle states as follows:

BPA and EN are committed to working in a mutually supportive fashion to ensure long-term safe, reliable operation of CGS accomplished at the lowest reasonable cost necessary to achieve those objectives. It is also our objective to integrate CGS with the Federal Columbia River Power System and to achieve optimum utilization of the resources of that system taken as a whole and to achieve efficient and economical operation of that system.

My other recommendations to the Board are summarized below:

1. BPA does not agree with the characterization that BPA supports the relationship status quo. I clarified that BPA is willing to engage in discussions of process improvement as we have performed in other parts of our business. I proposed that EN and BPA form a team to determine, in a collaborative, mutually acceptable manner, BPA information needs with respect to content and schedule.
2. I recommended that the single point-of-contact model that EN proposed for the relationship should not be implemented on the basis that adoption of this model is premature given the recommendation above to initiate process improvement.
3. Lastly, acting on the recommendation of EN Board Chair Sid Morrison, I supported the idea that BPA and EN begin working in a collaborative fashion on a long-range plan that BPA and EN are prepared to manage to. I suggested that development of the plan be based on the overarching principle noted above. I also suggested that we should start this effort by establishing long-term metrics that would guide the development and implementation of the plan.

I followed the August Board meeting with a trip to meet INPO CEO Jim Ellis and then participated in the annual INPO CEO conference. I did this in order to gain a better understanding of the concerns of INPO. I also wanted to gain insights as to how BPA could help EN upgrade all aspects of its performance relative to other nuclear power plants around the country. I found these activities to be helpful and educational regarding nuclear power industry issues. As a result, I have a clearer understanding of industry concerns regarding safety and reliability. I've developed a greater appreciation for the role INPO plays in enhancing nuclear plant performance around the country. I have also developed a deeper appreciation for the challenges associated with the retention of quality staff at nuclear plants.

I must admit that I found the INPO report recommendations perplexing given that BPA has not exercised its rights to disapprove an EN budget in over 20 years, suggesting we have been able to come to mutual agreement about CGS investments and expenditure levels for an extended period of time. On the other hand, I do not find surprising INPO's observation that BPA has been influential with EN and, in fact, would not want it to be any other way. We have a substantial stake in the operation of CGS. Consequently, I take very seriously the INPO concerns that BPA's influence may have an unintended impact on CGS performance or safety.

I noted in my August discussion with the Board that I feel politically accountable for CGS operations as part of my general responsibility at BPA. As a result of my contacts with INPO and discussions with EN management, I've made a decision to include an element in the targets for my personal and the agency's performance based on the INPO performance indicator index for CGS. The INPO index addresses safety, reliability, and plant performance. I want it to be absolutely clear that BPA, from the top on down, is committed to safe, reliable, and efficient operation of CGS. We intend to monitor CGS performance against the INPO index and its cost of power in order to actively support activities that will improve all aspects of plant performance.

With respect to the EN response to my August presentation, it is my understanding EN management has adopted the proposed overarching principle to help guide discussions between our organizations. I believe sending this message to the entire EN and BPA teams is an important step toward building a better relationship.

We have also had discussions with EN management about the development of a CGS long-range plan. The discussions centered on the metrics of the INPO performance indicators and cost of power indexes. While this discussion and the use of the metrics is really just starting and will be evolutionary, I was encouraged by what I heard. I believe working collaboratively to manage to a common set of metrics through a well developed long-range plan would create greater alignment between our organizations.

Contrary to my recommendation, however, EN has decided it is going to implement a variation on the originally proposed single point-of-contact that is probably best described as a limited points-of-contact protocol. While there have been discussions on implementation of the protocols, BPA has not endorsed the actions that EN has taken in regard to information flow to BPA. EN has essentially determined the terms for the interface protocols while assuring BPA, and PPC, that BPA will get whatever information we need to carry out our responsibilities. EN has, however, committed to review the new arrangement within six months to determine if, in fact, our information needs are being met.

We have trepidation about this arrangement and are monitoring to determine if, in fact, our information needs will be met, a determination that ultimately only we can make. These are significant issues. For example, in 2007, EN increased its budget and budget forecasts by a total of \$86.3 million in the O&M area and \$64.1 million in the capital area over BPA Fiscal Years 2007-2009 from the levels it had described and BPA adopted for the current rate period.

Ultimately, BPA chose to not disapprove this budget adjustment, in part because of the understanding we developed regarding the important needs being addressed by the adjustment. Currently, EN is considering replacement of the steam condenser. This is a critical element for improving CGS performance, which we support. There are, however, significant issues surrounding the condenser replacement project such as outage length, replacement approach, and costs which can have substantial consequences. We believe, and I believe EN agrees, that having an excellent understanding of critical issues such as these will lead to a mutually supportive relationship that will lead CGS to better performance. Despite our reservations about the new working relationship, we have committed to EN to attempt to make it work, because what is most important is the safe, reliable, and efficient operation of CGS.

Should BPA find itself without adequate access to information, we do have options under the Project Agreement, although they are not our preferred path. BPA can disapprove an EN budget and then proceed to what is essentially binding arbitration where a Project Consultant will use as a standard, language that captures the overarching principle we have proposed. In addition, BPA has the right to audit EN in order to assure it has the information it needs to make decisions. While these are viable options, I believe they represent a substantially inferior approach from an efficiency and quality standpoint to a well functioning, cooperative relationship.

EN is in the process of developing their Fiscal Year 2009 budget and a new long-range plan. This budget and plan will be presented publicly to the Board for review and comment at EN's budget workshop in March. In addition, EN will be participating in BPA's public process in the spring that will address agency cost estimates that will be used to establish rates for FY 2009-2011. We expect these will provide excellent forums for customers to discuss the relationship of the budget to potential improvements in the future performance of the plant.

It is important to note that there are very substantial issues associated with project financing, transmission maintenance activities, and power scheduling that currently operates smoothly between the two organizations. These activities provide substantial value to ratepayers.

I respect that the EN team is highly motivated and committed to excellent performance of CGS. From BPA's perspective, CGS is an extremely important, integrated asset of the BPA system, and it is our commitment that it remains as such for the long term. The friction that exists between the organizations regarding CGS operations as identified within the Redman and INPO

reports needs to be resolved for the benefit of the region. It will take effort from both EN and BPA to accomplish this, and I am committed to continuing to work with EN to make that happen.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen J. Wright". The signature is written in a cursive, flowing style.

Stephen J. Wright
Administator and Chief Executive Officer

cc:

Vic Parrish – Energy Northwest

Sid Morrison – Energy Northwest Board Chair