



RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 2010-0024
RECEIPT DATE: 4.6.2010
DUE DATE: 4.20.2010

**Public Power Council**

825 NE Multnomah, Suite 1226  
Portland, OR 97232  
503.695.9770  
Fax 603.239.6959

April 5, 2010

**ASSIGN: Terry Oliver-ST-3**  
**cc: FO3, DKN/Wash, L-7, DK-7, P-6**

Mr. Steve Wright  
Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

Dear Steve,

Having signed contracts committing to pay long-term for BPA's power costs, the region's consumer-owned utilities have a legitimate expectation that they will be involved in, or at least aware of, decisions that could obligate the agency to significant costs. It is in our mutual interest that customers have confidence in a transparent process that ensures that ratepayer funds are put to their best and highest purpose.

In this light, I felt compelled to write to clarify the standards for public involvement in light of the example of the twenty-year contract in place between the Bonneville Power Administration (BPA) and the Bonneville Environmental Foundation. While this contract was signed in January of 2009, the contract and its accompanying record of decision (ROD) were not released publicly until over one year later in response to a customer inquiry. To our knowledge, there was no notice or outreach to the customers who will be paying for the costs of the program for twenty years in their power rates.

The lack of process around this contract raises concerns, not necessarily because of any distrust that the intent was to carry-forward an existing program at close to existing funding levels, but rather because: (1) the contract changed the nature of the funding arrangement, taking the substance of the contract beyond that of the myriad renewing contracts the agency signs for day to day operations and maintenance of the federal power system; (2) the contract obligates the agency for twenty years; and (3) the contract contains provisions allowing the potential for alarmingly high escalation of cost and supplemental payments at the agency's discretion.

Moving forward with a ROD and contract of this nature without any external notice or public process does not meet the aspirations held by BPA for openness and transparency. Review and input from staff for public power may well have led to a contract with provisions that more accurately reflect what we understand to be agency intent. For example, BPA staff indicate that the intent of the funding

Attachment 1

arrangement is to allow only modest increases in funding unless there is exigent need for a specific increase for a unique project.

I appreciate the effort to date of BPA senior staff to determine why this program renewal, ROD, and contract were not available for review in this instance. I would urge your careful consideration of agency practices, and would pose the following questions:

- (1) What are the specific agency criteria for triggering public or customer-oriented process for review of BPA contracts?
- (2) What are the specific criteria for issuing a Record of Decision?
- (2) If contracts have escalation or supplementation clauses, what level of escalation or supplementation triggers customer outreach?
- (3) What internal process does the agency enlist to decide whether public or customer review is warranted, and who are the decision-makers in that process?
- (5) Are there other RODs or contracts from the past year that have not been posted publicly but that have attributes warranting public release?

Your response to these questions would be most appreciated so that PPC and its members can provide appropriate feedback to the agency. If the policies are unclear at this time, we stand ready to assist in offering guidance for establishing adequate protections.

Sincerely,



Scott Corwin  
Executive Director



RECEIVED BY BPA ADMINISTRATOR'S CFC-LOG #: 2010-0023
RECEIPT DATE: 4.6.2010
DUE DATE: 4.20.2010

April 6, 2010

**SENT BY FAX AND REGULAR MAIL**

Administrator Steve Wright  
Routing: A-7  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208

ASSIGN: Terry Oliver-ST-3  
cc: FO3, DKN/Wash, L-7, DK-7, P-6

**SUBJECT: BPA's 2009 contract with the Bonneville Environmental Foundation**

Dear Administrator Wright:

The Canby Utility Board ("Canby") joins the Public Power Council in raising concerns about the secrecy with which the Bonneville Power Administration ("BPA") negotiated a 20-year contract with the Bonneville Environmental Foundation ("BEF").

BPA did not notify customers it was negotiating the contract with BEF. Furthermore, BPA posted the BEF contract and the accompanying Record of Decision ("ROD") on its website 13 months after they were executed.

We note that BPA's contract with BEF is a sole-source agreement that authorizes BPA to pay BEF up to \$2 billion over the 20-year contract term. BEF recently established a profit-making subsidiary to finance and manage renewable energy projects. It is therefore not accurate to describe or think of BEF as simply a non-profit entity.

Furthermore, BPA's role in appointing a representative to the Board of BEF raises potential conflict-of-interest issues that warrant a closer examination. Although BPA states in the ROD that its representative has no voting power on the BEF board and owes no fiduciary duty to BEF, this assertion warrants additional scrutiny. Does BPA's representative have access to confidential BPA or BEF information? Can BPA's representative on the BEF board use his or her influence at BPA to obtain additional BPA funds for BEF?

**The Recurring Problem of Transparency**

Canby worked hard six years ago to encourage BPA to create a designated place on BPA's website where it would post all of its RODs in a timely fashion. The RODs are BPA's decision-making documents; they explain why BPA decided to do something (e.g., sign a contract, establish a rate, revise a policy, etc.).

## Attachment 2

Administrator Steve Wright  
Contract with Bonneville Environmental Foundation  
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We spent time in 2004 meeting with Congressional staff in Washington, D.C., educating them about the need for BPA to become more transparent and more effectively inform its customers and members of Congress about its major decisions.

The issue for us was not just one of prompt disclosure. There were -- and are -- legal ramifications raised by BPA's refusal to publish its RODs when they are executed. Under the Northwest Power Act, customers or others who seek to challenge a final BPA action must do so by filing a petition with the U.S. Court of Appeals for the Ninth Circuit within 90 days of the BPA action. 16 U.S.C. § 839f(e)(5).

As we explained to members of Congress, it is difficult, if not impossible, for customers to know if or when to challenge a BPA decision if BPA keeps secret some of its RODs. The pattern -- until that point -- was that BPA would publish some RODs and keep others private. BPA, for example, had kept secret its 2001 RODs for BPA's load reduction agreements with PacifiCorp and Puget Sound Energy that contained the infamous "poison pill" provision. BPA only released the RODs in 2003 in response to a Freedom of Information Act request from *The Oregonian*.

We were pleased BPA responded positively in 2004 to Canby and members of Congress who agreed with Canby's concerns. BPA said it would place its RODs on its website and would disclose them promptly after they were signed.

As best we can tell, BPA has complied with its own disclosure procedures until it signed the BEF contract in secrecy in January 2009. We therefore view BPA's failure to release and post the ROD for the BEF contract as an unwelcome return to its old practice.

We believe BPA's ROD for the BEF contract is the first one BPA has prepared since it started supporting the BEF in 1998. At that time, Canby went on record asking BPA to prepare a ROD on the agreement and its "green marketing program" and to explain how BEF would use BPA money. BPA declined to do so.

We therefore request that you answer the following questions regarding the negotiation process and the substance of the current BPA-BEF agreement, which has a potential price tag that dwarfs the prior agreement.

### Questions

1. Why did BPA delay posting the contract and ROD for 13 months -- until late February 2010?
2. Who prepared the ROD?
3. Who was responsible for posting the BEF contract and ROD?

## Attachment 2

Administrator Steve Wright  
Contract with Bonneville Environmental Foundation  
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4. Do you agree that the maximum potential cost to BPA of the BEF contract is roughly \$2 billion? In other words, if BPA paid the maximum allowable payment each year to BEF, the total sum could reach or even exceed that amount. We have attached an Excel spreadsheet that shows our analysis of the total maximum costs that BPA could incur under the 20-year contract. Is our analysis accurate?
5. Are the provisions in section 6C(iv), allowing BPA to increase the base payment by as much as 33% each year, and section 6(D), allowing BPA to make discretionary supplemental payments, what BPA intended when BPA drafted the contract? Are those provisions a mistake?
6. If they are a mistake, does BPA intend to re-open the BEF contract to negotiation and/or prepare a supplemental ROD on a revised contract?
7. Does BPA intend to place all of the costs associated with the BEF contract in the Tier 1 cost pool? If so, why? Please explain why Tier 1 should bear the costs associated with renewable energy development that BEF and/or its profit-making subsidiary might undertake in coming years.
8. Did BPA ask the U.S. Department of Energy ("DOE") to review the draft BEF contract and ROD prior to their execution? Is there a dollar amount that automatically "triggers" a requirement for BPA to seek advance DOE approval of a contract? What is the dollar amount?
9. Does BPA have a seat on BEF's Board of Directors? We note section 9 of the BPA-BEF contract states that BPA may designate an "ex officio member" of the BEF Board. Has BPA's representative to the BEF Board exercised a vote in the past? What limits BPA's representative from casting votes on the BEF Board in the future?
10. The BEF incorporation papers and by-laws, attached as appendices to the ROD, make no mention of a BPA seat on the BEF Board. Why do BEF documents not clearly state that BPA has an *ex officio* seat on the Board?
11. Do federal ethics laws require BPA's representative to the BEF Board (Anita Decker, BPA's deputy administrator) to obtain a waiver under 18 U.S.C. § 208(b)? Has she done so? Did Decker's predecessor, Steve Hickok, obtain a waiver? This issue is important because BPA typically obtains waivers for its employees if they serve on Boards of non-profit entities that do business with BPA and/or have a stake in regional power issues.

## Attachment 2

Administrator Steve Wright  
Contract with Bonneville Environmental Foundation  
Page 4

12. We understand that BPA general counsel Randy Roach's wife, Marilyn, works as BEF's part-time marketing coordinator. Did Mr. Roach recuse himself from participating in BEF decisions? When? Are there other BPA employees who have a financial interest in BEF activities? If so, how does BPA "screen" those employees from participating in BEF activities?

**Conclusion**

BPA's sole source contract with BEF – which has an estimated total cost of \$2 billion, and which BPA negotiated in private with no public input – raises important legal and policy questions that BPA should answer promptly.

We understand BPA has an important role under the Northwest Power Act in funding energy efficiency, renewable energy and watershed restoration activities for salmon and other wildlife. But BPA is also under a statutory obligation to make decisions that reflect sound business principles, that comply with public disclosure requirements, and that avoid conflicts of interest.

We look forward to receiving your responses to our questions.

Thank you.

Sincerely,



Dirk Borges  
General Manager

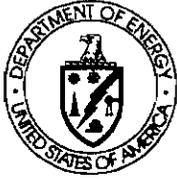
cc: Mr. Scott Corwin, Executive Director  
Public Power Council

Mr. Ben Tansey, Senior Writer  
*Clearing Up*

Attachment 2

**Bonneville Environmental Foundation  
C. Base Payments & D. Supplemental Payments Calculation**

Year	Base Payment	Inflator 33%	Adjusted Base Payment	Supplemental Payment	Total Annual Paid	Total Cumulative Paid
4/1/2009	\$ 1,300,000.00	\$ -	\$ 1,300,000.00	\$ -	\$ 1,300,000.00	\$ 1,300,000.00
4/1/2010	1,300,000.00	429,000.00	1,729,000.00	1,300,000.00	3,029,000.00	4,329,000.00
4/1/2011	1,729,000.00	570,570.00	2,299,570.00	1,729,000.00	4,028,570.00	8,357,570.00
4/1/2012	2,299,570.00	758,858.10	3,058,428.10	2,299,570.00	5,357,998.10	13,715,568.10
4/1/2013	3,058,428.10	1,009,281.27	4,067,709.37	3,058,428.10	7,126,137.47	20,841,705.57
4/1/2014	4,067,709.37	1,342,344.09	5,410,053.46	4,067,709.37	9,477,762.83	30,319,468.40
4/1/2015	5,410,053.46	1,785,317.64	7,195,371.10	5,410,053.46	12,605,424.56	42,924,892.96
4/1/2016	7,195,371.10	2,374,472.46	9,569,843.56	7,195,371.10	16,765,214.66	59,690,107.62
4/1/2017	9,569,843.56	3,158,048.37	12,727,891.93	9,569,843.56	22,297,735.49	81,987,843.11
4/1/2018	12,727,891.93	4,200,204.34	16,928,096.27	12,727,891.93	29,655,988.20	111,643,831.31
4/1/2019	16,928,096.27	5,588,271.77	22,514,368.04	16,928,096.27	39,442,464.31	151,086,295.62
4/1/2020	22,514,368.04	7,429,741.45	29,944,109.49	22,514,368.04	52,458,477.53	203,544,773.15
4/1/2021	29,944,109.49	9,881,556.13	39,825,665.62	29,944,109.49	69,769,775.11	273,314,548.26
4/1/2022	39,825,665.62	13,142,469.65	52,968,135.27	39,825,665.62	92,793,800.89	366,108,349.15
4/1/2023	52,968,135.27	17,479,484.64	70,447,619.91	52,968,135.27	123,415,755.18	489,524,104.33
4/1/2024	70,447,619.91	23,247,714.57	93,695,334.48	70,447,619.91	164,142,954.39	653,667,058.72
4/1/2025	93,695,334.48	30,919,460.38	124,614,794.86	93,695,334.48	218,310,129.34	871,977,188.06
4/1/2026	124,614,794.86	41,122,882.30	165,737,677.16	124,614,794.86	290,352,472.02	1,162,329,660.08
4/1/2027	165,737,677.16	54,693,433.46	220,431,110.62	165,737,677.16	386,168,787.78	1,548,498,447.86
4/1/2028	220,431,110.62	72,742,266.50	293,173,377.12	220,431,110.62	513,604,487.74	2,062,102,935.60
<b>Total</b>	<b>\$ 885,764,779.24</b>	<b>\$ 291,873,377.12</b>	<b>\$ 1,177,638,158.36</b>	<b>\$ 884,464,779.24</b>	<b>\$ 2,062,102,935.60</b>	



**Department of Energy**

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

EXECUTIVE OFFICE

**JUN 23 2010**

In reply refer to: DKR-7

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

Dear Mr. Corwin:

Thank you for your letter questioning the process used by the Bonneville Power Administration (BPA) to enter into a long-term contract with the Bonneville Environmental Foundation (BEF). I considered carefully your points about our lack of transparency in entering into the contract. At the end of the day, I must admit that BPA could have better met the standards for public notice and outreach that you have come to expect. I take accountability for this and regret not meeting those standards.

With respect to the concerns that have been raised that the agreement could result in annual payments of \$2 billion, I am confident that is not a result BPA or BEF intended or one that BPA would have allowed. Unfortunately the terms of the agreement could be interpreted in a manner that does not preclude significant funding increases that were never intended by BPA or BEF. As a result, we are working with BEF to renegotiate a proposed new agreement for clarity of terms. BEF is a willing partner in this discussion. BPA will submit the proposed new agreement for regional review and comment and will then complete a fully responsive Administrator's Record of Decision (ROD), which we will publicly post along with the final new agreement.

BPA and the BEF have a strong track record of working collaboratively together to achieve regional goals for renewable energy generation and environmental stewardship. With the execution of the Regional Dialogue 20-year power sales contracts with our preference utility customers, the previous funding model for BEF would no longer be effective. This is due, in part, to BPA's decision to do away with the Environmentally Preferred Power program, and instead transfer the environmental attributes of its power supply to its preference customers for their benefit in meeting renewable electricity mandates. Nevertheless, I believe that BEF plays an innovative and cost-effective role in complementing BPA's environmental responsibilities. For these and other reasons, I approved the contract with BEF to run concurrently with our Regional Dialogue contracts. The intent was to continue that relationship at approximately the same levels as we have historically funded BEF.

We also unintentionally neglected to post a timely notice of the current contract and the final ROD. Consequently, I have directed the establishment of formal systems for posting RODs in a timely manner on BPA's website.

Scott, again, I appreciate your legitimate concerns and your tenor in framing them. My goal is to attain the standards for transparency and regional involvement in decision making your letter challenges us to maintain. I am also attaching responses to the five specific questions you asked about our notice and decision processes. Please let me know if you have additional questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen J. Wright". The signature is fluid and cursive, with a large initial "S" and "W".

Stephen J. Wright  
Administrator and Chief Executive Officer

Enclosure: Response to questions

cc: Dirk Borges

ANSWERS TO QUESTIONS

1. ***What are the specific agency criteria for triggering public or customer-oriented process for review of BPA contracts?***

BPA is committed to providing appropriate opportunities for the public and its customers to participate in BPA's decision-making process. As part of that commitment, in 1981, BPA initially adopted the Procedure for Public Participation in Major Regional Power Policy Formulation (46 Fr 2638, May 12, 1981) which was subsequently amended in 1986. BPA's Policy for Public Involvement (51 FR 27240, July 30, 1986) is the amended version. BPA's Policy for Public Involvement reflects the flexibility reserved for the Administrator, balanced against BPA's commitment to public involvement. The Policy for Public Involvement distinguishes between major regional power policies and other BPA actions for which BPA may conduct public involvement.

The first category, major regional power policy, is defined as including "an agency statement of future effect and general applicability designed to implement, limit or prescribe policy which the Administrator identifies as involving major regional power issues. The term major regional power policy does not include the development and execution of particular agreements, contracts, or other instruments between BPA and its customers, except for those generic agreements, contracts, or other instruments which the Administrator identified as establishing major regional power policy." 51 FR 27240 at 272241. When an action is considered to be a major regional power policy, BPA's Policy for Public Involvement requires that BPA conduct a public or customer-oriented process for review and comments. *Id.* at 27242-43.

For the second category, other BPA actions, the Administration has discretion in deciding which actions to submit to the public for review and comment. In making the decision to submit the action, the Administrator may consider a number of factors such as:

1. The precedential nature of the action;
2. Whether and when public support is required for effective implementation of the contemplated action;
3. The effect on BPA and its customers;
4. The impact of the proposed action on the public;
5. The particular segment(s) of the public which can be expected to be interested in the action;
6. The level of public interest;
7. The time available for public involvement; and
8. The existence of previous or concurrent public involvement activities on similar action.

*Id.* at 27243.

## Attachment 3

Beyond the policy we have taken action over the last few years to provide increased transparency to decisions that have even relatively modest financial impacts to customers such as some settlements of litigation. It is my belief that the new long-term contracts place a greater onus on us in terms of transparency.

### **2. *What are the specific criteria for issuing a Record of Decision?***

In some situations, BPA is statutorily required to issue a record of decision. For example, BPA is required to issue a written decision based on the record developed to acquire major resources, 16 USC § 839d(c)(1)(D), and to establish rates (16 USC § 839e(i)(5)). In other cases, BPA is required by its own policies to issue a Record of Decision. For instance, under its Policy for Public Involvement, BPA is required to issue a decision document at the conclusion of the public process for major regional power policies. 51 FR 27240 at 27243. In still other cases, the BPA action being proposed is such that compliance with the National Environmental Policy Act (NEPA) and its implementing regulations is required before the action can be taken. For a proposed action addressed in an Environmental Impact Statement (EIS) prepared specifically for that action, BPA will prepare and issue a ROD consistent with Council on Environmental Quality (CEQ) and DOE NEPA regulations. 40 CFR 1505.2 and 10 CFR 1021.315. For a proposed action that BPA determines is sufficiently covered in a previously prepared programmatic EIS, BPA may determine that it is appropriate to prepare and issue a ROD for the proposed action that is tiered to the programmatic EIS. And finally, even when not required by statute, regulation, or BPA policy, the Administrator may decide to issue a written record of decision based on other policy reasons. These are assessed on a case-by-case basis.

### **3. *If contracts have escalation or supplementation clauses, what level of escalation or supplementation triggers customer outreach?***

There is no specific level of escalation or supplementation that triggers customer outreach although we have increased transparency with respect to actions that incur costs, we have not established a threshold as we have believed that there is no one size fits all approach to determining what is worthy of public comment.

### **4. *What internal process does the agency enlist to decide whether public or customer review is warranted, and who are the decision-makers in that process?***

The Administrator is the ultimate decision-maker in whether to conduct a public or customer review of a proposed BPA action. In some cases, there is no internal decision making process because BPA is required by statute or regulation to conduct a public or customer review and comment process. See above. In other cases, the decision is made as part of the decision making process on the activity or policy itself.

## Attachment 3

**5. *Are there other RODS or contracts from the past year that have not been posted publicly but that have attributes warranting public release?***

BPA issued numerous Records of Decision over the past year. We have determined that 18 were not correctly posted to BPA's external web RODs page. They were posted instead on other external web pages for Power Services and Rates. A list of those RODs and where they were posted is attached. BPA is correcting this and is posting these RODs at <http://www.bpa.gov/corporate/pubs/rods/>.

## Attachment 3

### **Attachment 1 2009 Records of Decision**

#### **Posted to the RODs Web Page and Power Web Page**

12/2009 ROD for Alcoa (Regional Dialogue)

#### **Posted to the Power Web Page (Regional Dialogue, Rate Case)**

3/2009 ROD and Revised 5(b)(9)c (Regional Dialogue)

8/2009 ROD for Tiered Rate Methodology Supplemental Rate Proceeding  
(Corporate/Rate Case)

12/2009 ROD for Port Townsend (Regional Dialogue)

#### **Posted to Finance and Rates Web Page**

6/2009 FY 2009 Final ASC Reports for Avista

6/2009 FY 2009 Final ASC Reports for Franklin

6/2009 FY 2009 Final ASC Reports for Idaho Power

6/2009 FY 2009 Final ASC Reports for NorthWestern

6/2009 FY 2009 Final ASC Reports for PacifiCorp

6/2009 FY 2009 Final ASC Reports for Portland General

6/2009 FY 2009 Final ASC Reports for Puget Sound

7/2009 FY 2010-2011 Final ASC Reports for Avista

7/2009 FY 2010-2011 Final ASC Reports for Franklin

7/2009 FY 2010-2011 Final ASC Reports for Idaho Power

7/2009 FY 2010-2011 Final ASC Reports for NorthWestern

7/2009 FY 2010-2011 Final ASC Reports for PacifiCorp

7/2009 FY 2010-2011 Final ASC Reports for Portland General

7/2009 FY 2010-2011 Final ASC Reports for Puget Sound

7/2009 FY 2010-2011 Final ASC Reports for Snohomish County PUD



**Department of Energy**

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

EXECUTIVE OFFICE

**JUN 23 2010**

In reply refer to: DKR-7

Mr. Dirk Borges, General Manager  
Canby Utility  
P.O. Box 1070  
Canby, OR 97013

Dear Mr. Borges:

Thank you for the letter regarding the agreement between the Bonneville Power Administration (BPA) and the Bonneville Environmental Foundation (BEF). The agreement provides funding over 20 years to the BEF to support activities that complement BPA's regional renewable energy and environmental responsibilities under the Northwest Power Act.

Having reviewed the concerns expressed by you and others in the region, I believe that BPA could have better met the expectations of BPA's customers and constituents for public notice and transparency in the decision making process that led to the execution of the agreement. I take responsibility for this and regret it.

With respect to the concern you have raised that the agreement could result in annual payments of \$2 billion, I am confident that is not a result BPA or BEF intended or one that BPA would have allowed. Unfortunately the terms of the agreement could be interpreted in a manner that does not preclude significant funding increases that were never intended by BPA or BEF. As a result, we are working with BEF to renegotiate a proposed new agreement for clarity of terms. BEF is a willing partner in this discussion. BPA will submit the proposed new agreement for regional review and comment and will then complete a fully responsive Administrator's Record of Decision (ROD), which we will publicly post along with the final new agreement.

BPA and the BEF have a strong track record of working collaboratively to achieve regional goals for renewable energy generation and environmental stewardship. With the execution of the Regional Dialogue 20-year power sales contracts with our preference utility customers, the previous funding model for BEF would no longer be effective. This is due, in part, to BPA's decision to discontinue the program for sales of Environmentally Preferred Power and instead transfer the environmental attributes of its power supply to its preference customers for their benefit in meeting renewable electricity mandates. Nevertheless, I believe that BEF plays an innovative and cost effective role in complementing BPA's environmental responsibilities. For these and other reasons, I approved an agreement with BEF to run concurrently with our

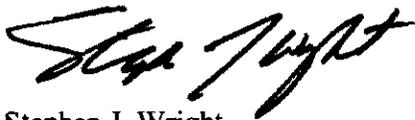
Regional Dialogue contracts. Our intent was to continue that relationship at approximately the same levels as we have historically funded BEF. While not noted in your comments, the agreement does have a termination with notice provision and the ability to reduce payments in the event of financial duress for BPA.

Our role in the collaborative relationship with BEF includes a liaison to BEF's Board of Directors. This position has sometimes been labeled an "*ex officio*" member of the Board, meaning the BPA representative is not an official member of the Board, does not have voting status, and owes no fiduciary duty to BEF. I believe this participation is a prudent way to provide oversight and to ensure that BPA funds are used by BEF in a way that complements BPA's mission.

You express concern and frustration that BPA did not meet your expectations for transparency in decisionmaking. I agree, and I am accountable for what was an unintended, but still unacceptable, breakdown in notice and publication for the contract decision. I have directed the establishment of formal systems for posting RODs in a timely manner on BPA's website.

I hope that this addresses the concerns you have identified.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen J. Wright". The signature is fluid and cursive, with the first name being the most prominent.

Stephen J. Wright  
Administrator and Chief Executive Officer

Enclosure: Response to questions

cc: Scott Corwin, PPC

ANSWERS TO QUESTIONS

1. ***Why did BPA delay posting the contract and ROD for 13 months - until late February 2010?***

BPA's delay in posting the Bonneville Environmental Foundation (BEF) contract and Record of Decision (ROD) was not intentional. Both the contract and the ROD were posted as soon as we were made aware of the omission. Since then, we are updating our policy for posting RODs to BPA's external website.

2. ***Who prepared the ROD?***

The BEF ROD is an agency work product and not an individual effort. A team of BPA staff wrote and reviewed the ROD.

3. ***Who was responsible for posting the BEF contract and ROD?***

The problem was a lack of clear accountability. That is being corrected.

4. ***Do you agree that the maximum potential cost to BPA of the BEF contract is roughly \$2 billion? In other words, if BPA paid the maximum allowable payment each year to BEF, the total sum could reach or even exceed that amount. We have attached an Excel spreadsheet that shows our analysis of the total maximum costs that BPA could incur under the 20-year contract. Is our analysis accurate?***

Because the actions could only be implemented at BPA's discretion we do not agree that your \$2 billion cost estimate is a legitimate interpretation of the contract. However, we are working with BEF to renegotiate a proposed new agreement with annual funding and escalation terms that are clearer and without the potential for substantial increases.

5. ***Are the provisions in section 6C(iv), allowing BPA to increase the base payment by as much as 33% each year, and section 6(D), allowing BPA to make discretionary supplemental payments, what BPA intended when BPA drafted the contract? Are those provisions a mistake?***

We believe the contract was intended to provide some limited flexibility if BEF could provide substantial added value to BPA's mission.

6. ***If they are a mistake, does BPA intend to re-open the BEF contract to negotiation and/or prepare a supplemental ROD on a revised contract?***

See response to question four, and the attached cover letter.

7. ***Does BPA intend to place all of the costs associated with the BEF contract in the Tier 1 cost pool? If so, why? Please explain why Tier 1 should bear the costs associated with renewable energy development that BEF and/or its profit-making subsidiary might undertake in coming years.***

When setting forth the Tiered Rate Methodology, BPA and rate case parties recognized that certain costs that were not directly attributable to the acquisition of resources to serve the load growth of utilities needed to be included in the Tier 1 cost pool. The BEF costs are an example of this type of cost. They are not directly attributable to a purchase to serve loads at a Tier 2 rate; therefore, they are in the Tier 1 cost pool.

8. ***Did BPA ask the U.S. Department of Energy ("DOE") to review the draft BEF contract and ROD prior to their execution? Is there a dollar amount that automatically "triggers" a requirement for BPA to seek advance DOE approval of a contract? What is the dollar amount?***

No, BPA did not ask DOE to review the draft BEF contract and ROD prior to execution. There is no dollar amount that triggers a requirement for BPA to seek advance DOE approval of a contract.

9. ***Does BPA have a seat on BEF's Board of Directors? We note section 9 of the BPA-BEF contract states that BPA may designate an "ex officio member" of the BEF Board. Has BPA's representative to the BEF Board exercised a vote in the past? What limits BPA's representative from casting votes on the BEF Board in the future?***

BPA has a representative to the BEF Board that is labeled in the BPA-BEF contract as an *ex-officio* member of the Board. The BEF Articles of Incorporation and Bylaws specify that BPA will have a liaison to the BEF Board who represents BPA's interests to the BEF Board and is not a voting director. In practice, the terms "liaison" and "*ex-officio*" have been used interchangeably, meaning a person who is not an official member of the Board and does not vote on Board matters but who provides oversight of BPA's funding and represents BPA's interests to the BEF Board. BPA's representative has never exercised a vote and is prevented from doing so by the BEF Articles of Incorporation and Bylaws.

- 10. *The BEF incorporation papers and by-laws, attached as appendices to the ROD, make no mention of a BPA seat on the BEF Board. Why do BEF documents not clearly state that BPA has an ex officio seat on the Board?***

Again, the terms “*ex-officio*” and “*liaison*” have been used interchangeably; the BEF Articles of Incorporation and Bylaws address the liaison role.

The BEF Articles of Incorporation state:

“ARTICLE VII. Bonneville Power Administration Liaison  
The Administrator of Bonneville (the "Administrator") shall designate an employee of Bonneville (the "Bonneville Representative") to be the Bonneville liaison to the Board. The Bonneville Representative shall represent Bonneville's interests and will have no fiduciary duty to the Foundation.”

The BEF Bylaws state:

“ARTICLE IV. Board of Directors  
Section 4.03. Bonneville Power Administration Liaison. The Administrator of Bonneville (the Administrator) shall designate an employee of Bonneville (the Bonneville Representative) to be the Bonneville liaison to the voting Directors. The Bonneville Representative shall represent Bonneville's interests and will have no vote and no fiduciary duty to the Foundation.”

- 11. *Do federal ethics laws require BPA's representative to the BEF Board (Anita Decker, BPA's deputy administrator) to obtain a waiver under 18 U.S.C. 5 208(b)? Has she done so? Did Decker's predecessor, Steve Hickok, obtain a waiver? This issue is important because BPA typically obtains waivers for its employees if they serve on Boards of non-profit entities that do business with BPA and/or have a stake in regional power issues.***

No. The ethics laws do not require a waiver because the liaison position is not an official member of the Board, does not vote on Board matters, and has no fiduciary duty to the Foundation and thus presents no conflict of financial interest.

- 12. *We understand that BPA general counsel Randy Roach's wife, Marilyn, works as BEF's part-time marketing coordinator. Did Mr. Roach recuse himself from participating in BEF decisions? When? Are there other BPA employees who have a financial interest in BEF activities? If so, how does BPA "screen" those employees from participating in BEF activities?***

Randy Roach, BPA's General Counsel, has recused himself from all BEF processes and activities from the time his wife became a BEF employee.

**AGREEMENT**

**Between**

**THE UNITED STATES OF AMERICA,  
DEPARTMENT OF ENERGY**

**Acting by and through  
THE BONNEVILLE POWER ADMINISTRATOR**

**And**

**THE BONNEVILLE ENVIRONMENTAL FOUNDATION, INC.**

Discussion Draft

## Attachment 5

This AGREEMENT (Agreement) is executed by the UNITED STATES OF AMERICA, Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATOR (Bonneville), and the BONNEVILLE ENVIRONMENTAL FOUNDATION, INC (Foundation), a corporation organized under the laws of the State of Oregon and qualified as a 501(c)(3) tax exempt entity within the meaning of the Internal Revenue Code.

### RECITALS

Whereas the Bonneville Power Administrator is the chief executive officer of Bonneville Power Administration (Bonneville), a federal power marketing agency authorized and charged by Congress, among other things: (A) to make maximum practicable use of Bonneville's authority to encourage the development of renewable resources (including direct application renewables), and other resources for service to its customers' regional loads including providing financial assistance for the development and implementation of such resources; (B) to promote the development of experimental, developmental, demonstration, or pilot projects with a potential for providing cost-effective service to the region; and (C) to develop such resources with due consideration for environmental quality, including the protection, mitigation, and enhancement of fish and wildlife habitat.

Whereas Bonneville has authority to contract, in such manner as the Administrator may deem necessary, to facilitate the execution of Bonneville's substantive responsibilities.

Whereas the Foundation, an Oregon corporation, is a tax exempt entity within the meaning of Section 501(c)(3) of the Internal Revenue Code that was created in 1998 to complement the programs of Bonneville under the Northwest Power Act (16 U.S.C. §§ 839 – 839h);

Whereas the Foundation is governed by an independent board of directors with a designated official assigned by Bonneville to serve as a Principal Liaison to the Foundation's board;

Whereas a group of environmental organizations, including the Northwest Energy Coalition, the Renewable Northwest Project, and the Natural Resources Defense Council, have participated with the Foundation and Bonneville over the past ten years in identifying and marketing electric power from environmentally preferred projects in the Pacific Northwest;

Whereas for the past ten years Bonneville and the Foundation have participated in mutually beneficial arrangements for the sale of Environmentally Preferred Power at a premium to market prices, which premium has been used to provide funding for the Foundation and funding for Bonneville's renewable resource programs;

Whereas because Bonneville has agreed to discontinue marketing an Environmentally Preferred Power product at the end of September 2011, the underlying market mechanism for Bonneville's support for Foundation activities is no longer available after that time;

Whereas Bonneville desires that the Foundation continue to seek out and act upon opportunities that complement Bonneville's programs in support of Bonneville's Mission with respect to renewable resources, energy efficiency, demand management, fish and wildlife enhancements, watershed improvements, technology innovation, and potentially other activities;

## Attachment 5

Whereas the Foundation desires to continue to assist Bonneville by complementing Bonneville's programs in support of Bonneville's Mission; and

Whereas Bonneville and the Foundation desire to enter into a new, long-term Agreement to replace the existing agreement;

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**Exhibit A: Arbitration Procedures**

**Exhibit B: Bonneville Environmental Foundation Articles of Incorporation**

**Exhibit C: Bonneville Environmental Foundation By-Laws**

## Attachment 5

The Parties agree:

### 1. EFFECTIVE DATE

This Agreement takes effect on the date this Agreement has been executed by Bonneville and the Foundation (the “Effective Date”).

### 2. TERMINATION OF EXISTING AGREEMENT

This Agreement supersedes and replaces Contract Number 09EO-40085 (the “Existing Agreement”). The Existing Agreement shall terminate on the Effective Date of this Agreement.

### 3. DEFINITIONS

Capitalized terms in this Agreement, including any exhibits, shall mean as follows:

- A. “Administrator” means the Administrator of Bonneville Power Administration (Bonneville).
- B. “Annual Report” means the report prepared by the Foundation after the end of each Fiscal Year setting forth the Foundation’s current financial condition, and describing its accomplishments over the past year, including its expenditures of funds that advanced the Bonneville Mission.
- C. “Bonneville” means Bonneville Power Administrator acting on behalf of the United States of America, Department of Energy, and the Bonneville Power Administration.
- D. “Effective Date” means the date this agreement takes effect.
- E. “Existing Agreement” means the funding agreement between Bonneville and the Foundation known as Contract Number 09EO-40085.
- F. “Fiscal Year” means the Foundation’s fiscal year, which currently begins on April 1. Fiscal Year 2010 is the Fiscal Year that ends in calendar year 2010.
- G. “Foundation” means the Bonneville Environmental Foundation, Inc., and does not include its subsidiary, Bonneville Environmental Foundation Renewables, Inc.
- H. “Mission” means Bonneville’s obligations under the Northwest Power Act, particularly Northwest Power Act section 2(1) (relating to encouragement of the development of renewable resources within the Pacific Northwest), section 6(e) (relating to renewable and conservation resources), section 6(d) (relating to research, development and demonstration projects), and section 4(e)(2) (relating to developing resources with due regard to environmental quality, including enhancing fish and wildlife habitat)—including but not limited to, promoting cost-effective conservation, renewable energy, and demand response resources; supporting development of technology (including demonstration projects) that may lead to cost-effective applications in the Region’s electric power system; protecting and enhancing fish and wildlife and

## Attachment 5

associated habitat—and under other legislation to provide power, transmission and other services and benefits to its customers and stakeholders.

- I. “Northwest Power Act” means the Pacific Northwest Electric Power Planning and Conservation Act of 1980, P.L. 96-501, as amended.
- J. “Party” means (A) the United States of America, Department of Energy, acting by and through the Bonneville Power Administrator, or (B) the Foundation.
- K. “Power Plan” means the Regional plan promulgated from time to time by the Northwest Power and Conservation Council to guide the Administrator’s electric power resource acquisitions as provided by the Northwest Power Act.
- L. “Region” or “Regional” means the geographic area defined as the “Pacific Northwest” in the Northwest Power Act.

### 4. TERM

The term of this Agreement shall be twenty years unless terminated by either Party pursuant to Section 5 of this Agreement.

### 5. TERMINATION

- A. The Agreement may be terminated on five years notice by either Party for any reason.
- B. The Agreement may be terminated by Bonneville on two years written notice if Bonneville believes the Foundation is not adequately complementing Bonneville’s programs in support of Bonneville’s Mission.
  - i. In its notice, Bonneville must state the specific reasons why it believes the Foundation is not advancing Bonneville’s programs and describe the actions Bonneville is asking the Foundation to take to correct any deficiency in the Foundation’s performance.
  - ii. Upon receipt of a notice of termination, the Foundation shall have one year to cure Bonneville’s specific objections.
  - iii. If the Foundation cures the deficiency to the satisfaction of Bonneville, the notice of termination shall be rescinded. Bonneville agrees that approval of any proffered cure shall not be unreasonably withheld.
  - iv. If the Foundation does not address and cure Bonneville’s objections within one year, the Agreement shall terminate on the two-year anniversary date of receipt of notice of termination unless Bonneville elects to withdraw the termination notice before the two year period expires.

### 6. PAYMENTS TO THE FOUNDATION

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### A. Use of Bonneville Funding by the Foundation

- i. The Foundation agrees to use funds provided by Bonneville to complement Bonneville's programs in support of Bonneville's Mission. The Foundation agrees that it shall not allow funds provided by Bonneville to be used by Bonneville Environmental Foundation Renewables, Inc. for any purpose.
- ii. For purposes of this Agreement, the Foundation's use of funds includes, but is not limited to:
  1. increasing the potential supply of cost-effective regional renewable resources potentially available to Bonneville and its customers for acquisition should they choose to do so;
  2. taking action to increase the potential supply of cost-effective, conservation, renewable, or demand response resources available to serve the electric power needs of the Pacific Northwest.
  3. furthering technological innovation goals (including demonstration projects) relating to electric power conservation, demand management, and renewable resources;
  4. supporting Regional watershed improvements that further Bonneville's Regional efforts to maintain, restore, and enhance fish and wildlife and associated habitat;
  5. educating members of the general public on the benefits of renewable resources, reducing greenhouse gases emissions, and improving Pacific Northwest fish and wildlife resources and habitat; and
  6. supporting other aspects of the Bonneville Mission as may be agreed upon by Bonneville and the Foundation.

### B. Annual Payments

- i. Bonneville shall make an Annual Payment to the Foundation each year.
- ii. The Annual Payment for Fiscal Year 2010 is \$1.3 million.
- iii. The Annual Payment for each subsequent Fiscal Year shall be adjusted, provided such adjustment is positive, over the previous Fiscal Year's level by the annual change in the United States Department of Labor, Bureau of Labor Statistics' "Consumer Price Index - All Urban Consumers West Region All Items" or its successor. Available at: <http://data.bls.gov/cgi-bin/surveymost?cu>
- iv. If the Administrator certifies in a letter to the Foundation that Bonneville is experiencing a financial crisis as evidenced by a failure to achieve net revenue targets, a need for a significant increase in rates, low reserves, or other financial stress that leads the Administrator to seek a broad reduction in program costs not funded under this Agreement, Bonneville may reduce the Annual Payment by as much as 25% for up to one year on six months notice.

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The reduction shall continue for as long as the financial crisis exists, but in any case not longer than two years, at which time funding shall be restored to normal levels (including appropriate adjustments for inflation) for at least two years before another reduction in Annual Payments may occur.

- v. On the first day of each Fiscal Year Bonneville shall pay the Foundation an amount equal to one-fourth of the Annual Payment for that Fiscal Year.
- vi. Bonneville shall pay an additional one-fourth of the Annual Payment for that Fiscal Year on the first day of each subsequent quarter of that Fiscal Year.

### **7. ANNUAL REPORT**

**A.** Within 90 days of the end of the Fiscal Year, the Foundation shall prepare a draft Annual Report and provide Bonneville with a copy. The Annual Report shall set forth all activities engaged in, and financial assistance provided by the Foundation to complement Bonneville's programs in support of its Mission, including the development of renewable resources (including direct application renewables), energy efficiency, demonstration projects, and where applicable an estimate of the amount of electric power generated or saved as a result of the Foundation's activities. The Annual Report shall demonstrate and certify that no funds provided by Bonneville have been used by Bonneville Environmental Foundation Renewables, Inc. for any purpose.

**B.** Bonneville may:

- i. Accept the draft Annual Report as submitted without objection;
- ii. Take an exception to all or a portion of the Annual Report and provide the Foundation with an opportunity to respond to Bonneville's objections; and
- iii. Recommend changes to the proposed Annual Report, if any.

**C.** No earlier than 30 days after receiving comments from Bonneville, the Foundation may adopt an Annual Report for the past Fiscal Year, taking into account comments it receives from Bonneville, if any.

### **8. ADDITIONAL SERVICES**

Bonneville may contract with the Foundation to procure services above and beyond the scope or funding amounts provided for by this Agreement.

### **9. BONNEVILLE DESIGNATION OF PRINCIPAL LIAISON TO FOUNDATION BOARD**

Bonneville may designate an official to serve as its Principal Liaison to the Foundation board. The Principal Liaison shall represent Bonneville's interests and will have no vote on the Foundation board and no fiduciary duty to the Foundation.

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Bonneville initially designates its Chief Operating Officer to serve as Bonneville's Principal Liaison to the Foundation's board.

### **10. BONNEVILLE DESIGNATION OF STAFF LIAISON**

Bonneville may designate an official to serve as a Staff Liaison to the Foundation. The Staff Liaison shall assist the Principal Liaison in representing Bonneville's interests and will have no vote on the Foundation board and no fiduciary duty to the Foundation.

Bonneville initially designates its Chief Technology Innovation Officer to serve as Staff Liaison to the Foundation.

### **11. ANNUAL INDEPENDENT AUDIT**

The Foundation shall retain an independent auditor to prepare an annual audit in accordance with generally accepted accounting principles and provide Bonneville with a copy.

### **12. FIVE YEAR REVIEW**

Bonneville and the Foundation will perform a joint review of this Agreement every five years to confirm that the Agreement is serving both party's interests and to modify the Agreement by mutual consent as necessary or desired by both parties to reflect then current conditions and policies.

### **13. NOTICE OF PROPOSED AMENDMENTS TO BYLAWS OR ARTICLES OF INCORPORATION**

The Foundation shall advise Bonneville of any proposed amendments to its bylaws or articles of incorporation with at least 30 days notice and provide an opportunity for Bonneville to comment on any proposed amendments.

### **14. NOTICES**

- A.** Any notice required under this Agreement shall be in writing and shall be delivered: (a) in person; (b) by a nationally recognized delivery service; or (c) by United States Certified Mail.
- B.** Notices are effective when received.
- C.** Either Party may change its address or its designated representative for notices by giving notice of such change consistent with this section.
- D.** Notice shall be given:

If to the Foundation to:

Margie Gardner, Chief Executive Officer  
Bonneville Environmental Foundation

## Attachment 5

Portland, Oregon 97204  
503-248-1905  
Fax 503-248-1908  
margiegardner@bef.org

If to Bonneville to:

Terry Oliver, Chief Technology Innovation Officer  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208-3621  
503-230-5853  
Fax 503-230-4456  
tvoliver@bpa.gov

### **15. GOVERNING LAW AND DISPUTE RESOLUTION**

#### **A. Governing Law**

This Agreement shall be interpreted consistent with and governed by federal law.

Except as otherwise provided in this Section 15, the Parties agree to resolve any dispute arising under this Agreement according to the binding arbitration procedures attached to this Agreement as Exhibit B.

The Foundation and Bonneville shall identify issue(s) in dispute arising out of this Agreement and make a good faith effort to negotiate a resolution of such disputes before either may initiate litigation or arbitration. Such good faith effort shall include discussions or negotiations between the Parties' executives.

Pending resolution of a contract dispute or contract issue between the Parties or through formal dispute resolution of a contract dispute arising out of this Agreement, the Parties shall continue performance under this Agreement unless to do so would be impossible or impracticable.

Unless the Parties engage in binding arbitration as provided for in this Section 15 and Exhibit B, the Parties reserve their rights to individually seek judicial resolution of any dispute arising under this Agreement.

#### **B. Judicial Resolution**

Final actions subject to Section 9(e) of the Northwest Power Act are not subject to arbitration under this Agreement and shall remain within the exclusive jurisdiction of the United States Court of Appeals for the Ninth Circuit. Such final actions include, but are not limited to, the establishment and the implementation of rates and rate methodologies. Any dispute regarding any rights or

## Attachment 5

obligations of the Foundation or Bonneville under any rate or rate methodology, or Bonneville policy, including the implementation of such policy, shall not be subject to arbitration under this Agreement.

For purposes of this section 15 and Exhibit B, “Bonneville policy” means any written document adopted by Bonneville as a final action in a decision record or record of decision that establishes a policy of general application or makes a determination under an applicable statute or regulation.

If Bonneville determines that a dispute is excluded from arbitration under this Section 15, then the Foundation may apply to the federal court having jurisdiction for an order determining whether such dispute is subject to nonbinding arbitration under Exhibit B.

### **16. STANDARD PROVISIONS**

#### **A. Amendments**

Except where this Agreement explicitly allows for one Party to unilaterally amend a provision or exhibit, no amendment of this Agreement shall be of any force or effect unless set forth in writing and signed by authorized representatives of each Party.

#### **B. Assignment**

This Agreement is binding on any successors and assigns of the Parties.

Neither Party may otherwise transfer or assign this Agreement, in whole or in part, without the other Party’s written consent. Such consent shall not be unreasonably withheld.

#### **C. Information Exchange and Confidentiality**

The Parties shall provide each other with any information that is reasonably required, and requested by either Party in writing, to administer this Agreement.

Such information shall be provided in a timely manner. Information may be exchanged by any means agreed to by the Parties.

Bonneville may use such information as necessary to perform its obligations under this Agreement.

Before the Foundation provides information to Bonneville that is confidential, or is otherwise subject to a privilege or nondisclosure, the Foundation shall clearly designate such information as confidential. Bonneville shall notify the Foundation as soon as practicable of any request received under the Freedom of Information Act (FOIA), or under any other federal law or court or administrative order, for any confidential information. Bonneville shall only release such confidential information to comply with FOIA or if required by any other federal law or court or administrative order.

## Attachment 5

Bonneville shall limit the use and dissemination of confidential information within Bonneville to employees who need it for purposes of administering this Agreement.

### **D. Entire Agreement**

Exhibits A, B, and C are hereby incorporated as part of this Agreement.

This Agreement, including documents expressly incorporated by reference, constitutes the entire agreement between the Parties with respect to the subject matter of this Agreement.

It supersedes all previous communications, representations, or contracts, either written or oral, which purport to describe or embody the subject matter of this Agreement.

The body of this Agreement shall prevail over the Exhibits to this Agreement in the event of a conflict.

### **E. Exhibits**

The exhibits listed in the table of contents are incorporated into this Agreement by reference. The body of this Agreement shall prevail over an Exhibit to this Agreement in the event of a conflict.

### **F. No Third-Party Beneficiaries**

This Agreement is made and entered into for the sole protection and legal benefit of the Parties, and no other person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with this Agreement.

### **G. Waivers**

No waiver of any provision or breach of this Agreement shall be effective unless such waiver is in writing and signed by the waiving Party, and any such waiver shall not be deemed a waiver of any other provision of this Agreement or of any other breach of this Agreement.

### **H. Severability**

If any term of this Agreement is found to be invalid by a court of competent jurisdiction then such term shall remain in force to the maximum extent permitted by law.

All other terms shall remain in force unless that term is determined by a court of competent jurisdiction not to be severable from all other provisions of this Agreement by such court.

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**17. SIGNATURES**

The signatories represent that they are authorized to enter into this Agreement on behalf of the Party for whom they sign.

For the UNITED STATES OF AMERICA, DEPARTMENT OF ENERGY, ACTING BY AND THROUGH THE BONNEVILLE POWER ADMINISTRATOR

\_\_\_\_\_  
Stephen J. Wright  
Administrator and Chief Executive Officer  
Bonneville Power Administration

\_\_\_\_\_  
Date

For the BONNEVILLE ENVIRONMENTAL FOUNDATION, INC.

\_\_\_\_\_  
Margie Gardner  
Chief Executive Officer  
Bonneville Environmental Foundation, Inc.

\_\_\_\_\_  
Date

## Attachment 5

### Exhibit A

#### Initiation of Arbitration Process

Any contract dispute or contract issue between the Parties arising out of this Agreement, which is not excluded from arbitration by section 15 of this Agreement, shall be subject to arbitration, as set forth below.

The Foundation may request that Bonneville engage in binding arbitration to resolve any dispute arising under this Agreement.

If the Foundation requests such binding arbitration and Bonneville determines in its sole discretion that binding arbitration of the dispute is appropriate under Bonneville's Binding Arbitration Policy or its successor, then Bonneville shall engage in such binding arbitration, provided that the remaining requirements of this Exhibit B are met.

Bonneville may request that the Foundation engage in binding arbitration to resolve any dispute.

In response to Bonneville's request, the Foundation may agree to binding arbitration of such dispute, provided that the remaining requirements of Section 15 are met. Before initiating binding arbitration, the Parties shall draft and sign an agreement to engage in binding arbitration, which shall set forth the precise issue in dispute, the amount in controversy and the maximum monetary award allowed, pursuant to Bonneville's Binding Arbitration Policy or its successor.

Nonbinding arbitration shall be used to resolve any dispute arising out of this contract that is not excluded by section 15 above and is not resolved via binding arbitration, unless the Foundation notifies Bonneville that it does not wish to proceed with nonbinding arbitration.

#### Arbitration Procedure

Any arbitration shall take place in Portland, Oregon, unless the Parties agree otherwise. The Parties agree that a fundamental purpose for arbitration is the expedient resolution of disputes; therefore, the Parties shall make best efforts to resolve an arbitrable dispute within one year of initiating arbitration. The rules for arbitration shall be agreed to by the Parties.

#### Remedies

The payment of monies shall be the exclusive remedy available in any arbitration proceeding between the Parties.

This shall not be interpreted to preclude the Parties from agreeing to limit the object of arbitration to a determination of facts.

Under no circumstances shall specific performance be an available remedy against Bonneville.

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### **Finality**

In a binding arbitration, the arbitration award shall be final and binding on the Parties, except that either Party may seek judicial review based upon any of the grounds referred to in the Federal Arbitration Act, 9 U.S.C. §1-16 (1988). Judgment upon the award rendered by the arbitrator(s) may be entered by any court having jurisdiction thereof.

In nonbinding arbitration, the arbitration award is not binding on the Parties. Each Party shall notify the other Party within 30 calendar days, or such other time as the Parties otherwise agreed to, whether it accepts or rejects the arbitration award. Subsequent to nonbinding arbitration, if either Party rejects the arbitration award, either Party may seek judicial resolution of the dispute, provided that such suit is brought no later than one year after the date the arbitration award was issued.

### **Costs**

Each Party shall be responsible for its own costs of arbitration, including legal fees.

Unless otherwise agreed to by the Parties, the arbitrator(s) may apportion all other costs of arbitration between the Parties in such manner as the arbitrator(s) deems reasonable taking into account the circumstances of the case, the conduct of the Parties during the proceeding, and the result of the arbitration.

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**Exhibit B:**

**Bonneville Environmental Foundation Articles of Incorporation**

Discussion Draft

Attachment 5

**Exhibit C:**

**Bonneville Environmental Foundation By-Laws**

Discussion Draft

**RESTATED**

**ARTICLES OF INCORPORATION**

of

**BONNEVILLE ENVIRONMENTAL FOUNDATION**

The undersigned incorporator of Bonneville Environmental Foundation, an Oregon nonprofit corporation, adopts the following Restated Articles of Incorporation, superseding the original articles of incorporation and all amendments to them.

**ARTICLE I. Name and Duration**

The name of the corporation is Bonneville Environmental Foundation (the "Foundation") and its duration shall be perpetual.

**ARTICLE II. Type and Purpose**

The Foundation is a public benefit corporation. It is organized and shall be operated exclusively for charitable, scientific and educational purposes permitted by Section 501(c)(3) of the Internal Revenue Code of 1986, as amended ("IRC"), or the corresponding section of any future federal tax laws, on a not-for-profit basis. In particular, the purposes of the Foundation are to complement the Bonneville Power Administration's ("Bonneville") obligations under the Pacific Northwest Electric Power Planning and Conservation Act, Public Law 96-501 ("Northwest Power Act") by:

- (1) accepting and administering private gifts of property to:
  - (A) develop or apply new nonhydro renewable energy resources within the Pacific Northwest consistent with the Northwest Power Act, 16 U.S.C. 839a; and/or
  - (B) acquire, maintain, preserve, restore, protect, or manage fish and wildlife habitat within the Pacific Northwest; and
- (2) participating with, making distributions to, or otherwise assisting entities and individuals to:
  - (A) undertake and conduct activities that will further the development or application of new nonhydro renewable energy resources within the Pacific Northwest consistent with the Northwest Power Act, 16 U.S.C. 839a; and/or

## Attachment 6

(B) acquire, maintain, preserve, restore, protect, or manage fish and wildlife habitat within the Pacific Northwest.

Such purposes are to be accomplished in a manner not inconsistent with the appropriate power plan and fish and wildlife program, including implementation activities, adopted by the Pacific Northwest Electric Power and Conservation Planning Council ("Council").

### ARTICLE III. Rights and Obligations of the Foundation

To carry out its purposes under these Articles, the Foundation shall have, in addition to the powers otherwise given it under these Articles, the usual powers of a corporation incorporated under the statutes of the State of Oregon, including the power:

- (1) to accept, receive, solicit, hold, administer and use any gift, devise, or bequest, either absolutely or in trust, of real or personal property or any income therefrom or other interest therein;
- (2) unless otherwise required by the instrument of transfer, to sell, donate, lease, invest, reinvest, retain or otherwise dispose of any property or income therefrom; and
- (3) to do any and all acts necessary and proper to carry out the purposes of the Foundation.

The Foundation shall not engage in activities or exercise any powers that are not in the furtherance of its specific and primary purposes or that would violate any restrictions set forth in these Articles.

### ARTICLE IV. Restrictions on Activities

No part of the net earnings of the Foundation shall inure to the benefit of, or be distributable to members of its Board, its officers, or other private shareholder or individual, except that the Foundation may pay reasonable compensation for services rendered and may make payments and distributions in furtherance of the purposes set forth in Article II hereof. No substantial part of the activities of the Foundation shall be carrying on propaganda, or otherwise attempting, to influence legislation, and the Foundation shall not participate in or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision of these Articles, the Foundation shall not carry on any activities not permitted to be carried on (a) by a corporation exempt from federal income tax under IRC Section 501(c)(3) or the corresponding section of any future federal tax laws and (b) by a corporation,

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contributions to which are deductible under IRC Section 170(c)(2) or the corresponding section of any future federal tax laws.

### ARTICLE V. Members

The Foundation shall not have members.

### ARTICLE VI. Board of Directors

All corporate power shall be exercised by or under the authority of, and the affairs of the Foundation managed under the direction of, a Board of Directors (the Board), which shall consist of at least nine and no more than eleven voting Directors, each of whom shall be a United States citizen and who shall be committed to the conservation, restoration, and sound management of fish and wildlife habitat and/or development or application of new nonhydro renewable energy resources.

### ARTICLE VII. Bonneville Power Administration Liaison

The Administrator of Bonneville (the "Administrator") shall designate an employee of Bonneville (the "Bonneville Representative") to be the Bonneville liaison to the Board. The Bonneville Representative shall represent Bonneville's interests and will have no fiduciary duty to the Foundation.

### ARTICLE VIII. Appointment and Terms of Directors

The Directors shall serve for terms of 4 years; however, initially two of the Directors shall serve for a term ending at the 2000 annual meeting, four Directors for a term ending at the 2001 annual meeting, and three Directors for a term ending at the 2002 annual meeting. If the Board consists of more than nine Directors, the term of the tenth Director will end at the annual meeting closest to the expiration of two years after appointment and the term of the eleventh Director will end at the annual meeting closest to the expiration of four years after appointment. The names, addresses, and terms of the initial Directors of the Foundation are:

Name	Address	Initial Term Ends
Aldo Benedetti	7801 Sapphire Dr. SW Tacoma, WA 98498	2001
Ralph Cavanagh	c/o The Natural Resources Defense Council 71 Stevenson, Suite 1825 San Francisco, CA 94105	2000

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Don Frisbee	1500 SW First, Suite 1005 Portland, OR 97201	2000
Mark O. Hatfield	P.O. Box 8639 Portland, OR 97207	2002
Jim Lichatowich	182 Dory Road Sequim, WA 98392	2001
Donald Sampson	c/o Columbia River Intertribal Fish Commission 729 NE Oregon, Suite 200 Portland, OR 97232	2002
Rachel Shimshak	c/o The Renewable NW Project 1130 SW Morrison, Suite 330 Portland, OR 97205	2001
Bill Towey	7126 N. Deschutes Drive Spokane, WA 99208	2001
Brett Wilcox	c/o Northwest Aluminum 3313 W. Second The Dallas, OR 97058	2002

The incorporator has obtained the consent of all Directors named to serve. All Directors of the Foundation other than the initial Directors shall be elected by the Board at the time and in the manner to be set forth in the Foundation's bylaws.

### **ARTICLE IX. Reimbursement of Expenses**

Members of the Board may be reimbursed for the actual and necessary traveling and subsistence expenses incurred by them in the performance of the duties of the Foundation.

### **ARTICLE X. Elimination of Liability**

No Director or uncompensated officer shall have any personal liability to the corporation for monetary damages for conduct as a Director or officer; provided that these Articles will not eliminate the liability of a Director or uncompensated officer for any act or omission for which elimination of liability is not permitted under the Oregon Nonprofit Corporation Law. No amendment to the Oregon Nonprofit Corporation Law that further limits the acts or omissions for which elimination of

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liability is permitted will affect the liability of a Director or uncompensated officer for any act or omission that occurs prior to the effective date of the amendment.

### **ARTICLE XI. Indemnification**

The Foundation shall indemnify to the fullest extent permitted by the Oregon Nonprofit Corporation Law any person who is made, or threatened to be made, a party to an action, suit or proceeding, whether civil, criminal, administrative, investigative or other (including an action, suit or proceeding by or in the right of the Foundation), by reason of the fact that the person is or was a Director or officer of the Foundation. The right to and amount of indemnification shall be determined in accordance with the provisions of the Oregon Nonprofit Corporation Law in effect at the time of the determination.

### **ARTICLE XII. Distribution of Assets**

Upon dissolution or final liquidation, after payment or provision for payment of all of the liabilities of the Foundation, all remaining assets shall be distributed and paid over to a nonprofit fund, foundation, or corporation selected by the Board which is organized and operated exclusively for charitable, scientific or educational purposes for the conservation or management of fish or wildlife, and/or the development or application of new nonhydro renewable energy resources, and which has established its tax exempt status under IRC Section 501(c)(3) or the corresponding section of any future federal tax laws. No member or officer, nor any private individual, shall be entitled to share in the distribution of any assets of the Foundation.

### **ARTICLE XIII. United States Release From Liability**

The Foundation is not an agency or establishment of the United States. The United States shall not be liable for any debts, defaults, acts or omissions of the Foundation nor shall the full faith and credit of the United States extend to any obligation of the Foundation.

### **ARTICLE XIV. Limitation on Amendment of Articles**

In any amendment to these Articles the term "purposes" shall be limited to and shall include only charitable, scientific and educational purposes within the meaning of those terms as used in IRC Section 501(c)(3) or the corresponding section of any future federal tax laws, but only such purposes as also develop or apply new nonhydro renewable energy resources within the Pacific Northwest and/or acquire, maintain, preserve, restore, protect, or manage fish and wildlife habitat within the Pacific Northwest in a manner not inconsistent with the appropriate power plan and fish and wildlife program, including implementation activities, adopted by the Council. An amendment of the provisions of this Article XIV (or any amendment to it) shall be

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valid only if and to the extent that such amendment further restricts the Board's amending power.

### ARTICLE XV. Initial Registered Agent

The name of the Foundation's initial registered agent is Rachel Shimshak. The address of the Foundation's initial registered office is 1130 SW Morrison Street, Suite 330, Portland, Oregon 97205.

### ARTICLE XVI. Incorporator

The name and address of the incorporator are:

Mark O. Hatfield  
River Forum Building, Suite 460  
4380 SW. Macadam  
Portland, OR 97201

### ARTICLE XVII. Alternate Mailing Address

The alternate corporate mailing address to which notices may be mailed until the principal office of the Foundation has been designated by the Foundation in its annual report is:

Bonneville Environmental Foundation  
c/o Renewable Northwest Project  
1130 SW Morrison Street, Suite 330  
Portland, Oregon 97205

DATED: August 31, 1998.



Mark O. Hatfield, Incorporator

**CERTIFICATE**

The undersigned incorporator of Bonneville Environmental Foundation, an Oregon nonprofit corporation, certifies that:

1. No directors of the corporation have been chosen since the date of incorporation. The incorporator therefore has the power under ORS 65.434(2) and 65.451 to amend and restate the Articles of Incorporation. The amendments to the Articles of Incorporation do not require the approval of any member or any person other than the incorporator.

2. The date of adoption of the amendments and the Restated Articles of Incorporation by the incorporator was August 31, 1998.

DATED: August 31, 1998.

  
\_\_\_\_\_  
Mark O. Hatfield, Incorporator

**BYLAWS**

of

**BONNEVILLE ENVIRONMENTAL FOUNDATION  
(As Amended Through April 1, 2007)**

**ARTICLE I. Name and Office**

**Section 1.01. Name.** The name of this corporation is Bonneville Environmental Foundation (the Foundation). The Foundation is a charitable and nonprofit public benefit corporation and is not an agency or establishment of the United States.

**Section 1.02. Principal Executive Office.** The principal executive office of the Foundation shall be located in Portland, Oregon.

**ARTICLE II. Purposes and Objectives**

The Foundation has been established pursuant to the Articles of Incorporation, as may be amended (the Articles), filed with the State of Oregon under the Oregon Nonprofit Corporation Law, to complement the Bonneville Power Administration's (Bonneville) obligations under the Pacific Northwest Electric Power Planning and Conservation Act, Public Law 96-501 (Northwest Power Act) by:

- (1) accepting and administering private gifts of property to:
  - (A) develop or apply new nonhydro renewable energy resources within the Pacific Northwest and throughout North America ; and/or
  - (B) acquire, maintain, preserve, restore, protect, or manage fish and wildlife habitat within the Pacific Northwest and throughout North America ;
- (2) participating with, making distributions to, or otherwise assisting entities and individuals to:
  - (A) undertake and conduct activities that will further the development or application of new nonhydro renewable energy resources within the Pacific Northwest and throughout North America ; and/or
  - (B) acquire, maintain, preserve, restore, protect, or manage fish and wildlife habitat within the Pacific Northwest and throughout North America; and

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(3) Purchasing, marketing and selling environmentally preferred power, or the environmental attributes thereof, from renewable resources that may be within or without the Pacific Northwest.

Such purposes are to be accomplished in a manner not inconsistent with the appropriate power plan and fish and wildlife program, including implementation activities, adopted by the Pacific Northwest Electric Power and Conservation Planning Council (Council).

In addition, this charitable and educational corporation is formed for purposes of performing all things incidental to, or appropriate in, the achievement of the foregoing specific and primary purposes. However, the Foundation shall not, except to an insubstantial degree, engage in activities or exercise any powers that are not in the furtherance of its specific and primary purposes.

The Foundation shall hold and may exercise all powers conferred upon the Foundation by the State of Oregon as may be necessary to administer the Foundation and attain the purposes of the Foundation, provided, however that in no event shall the Foundation engage in activities which are not permitted to be carried on by a corporation exempt under Section 501(c)(3) of the Internal Revenue Code (IRC) of 1986, as amended, or the corresponding section of any future federal tax laws or by a corporation, contributions to which are deductible under Section 170(c)(2) of the IRC or the corresponding section of any future federal tax laws.

The Foundation shall be nonprofit and nonpartisan. No substantial part of the activities of the Foundation shall be carrying on propaganda, or otherwise attempting, to influence legislation, and the Foundation shall not participate in or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.

The Foundation shall not have any members.

### **ARTICLE III. Declaration of Assets**

The principal and income of all property received and accepted by the Foundation are irrevocably dedicated to charitable and educational purposes. No part of the net earnings of the Foundation shall inure to the benefit of, or be distributable to members of the Board, officers, or other private persons, except that the Foundation may pay reasonable compensation for services rendered, and may make payments and distributions in furtherance of the purposes set forth in Article II hereof.

### **ARTICLE IV. Board of Directors**

**Section 4.01. Powers.** Subject to the provisions of law, the Articles or these Bylaws, the activities and affairs of the Foundation shall be managed, and all corporate powers shall be exercised, by or under the direction of the Board of Directors (the Board).

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**Section 4.02. Number of Directors.** The governing Board shall consist of at least nine and no more than thirteen voting Directors.

**Section 4.03. Bonneville Power Administration Liaison.** The Administrator of Bonneville (the Administrator) shall designate an employee of Bonneville (the Bonneville Representative) to be the Bonneville liaison to the voting Directors. The Bonneville Representative shall represent Bonneville's interests and will have no vote and no fiduciary duty to the Foundation.

**Section 4.04. Qualifications of Directors.** Each Director shall be a United States citizen. It is the intent of the Board that at least three Directors be committed to, knowledgeable of, and experienced in nonhydro renewable energy technologies or resources, at least three Directors be committed to, knowledgeable of, and experienced in the principles of fish or wildlife habitat, and at least one Director represent Native American interests. The membership of the Board, to the extent practicable, shall represent diverse geographical areas. The Board shall have the exclusive power and authority to determine whether the qualifications of Directors have been met.

**Section 4.05. Appointment and Term of Office.** Except for shorter terms for some initial directors specified in the Articles for the purpose of creating staggered terms, Directors shall serve for terms of 4 years or until their successors are selected. Terms shall end at the Annual Meeting closest to the anniversary of each Director's appointment.

**Section 4.06. Vacancies and Removal.** The Board shall use its best efforts to fill a vacancy on the Board within 60 days of said vacancy. A person appointed to fill a vacancy occurring prior to the expiration of a member's full term shall be appointed only for the remainder of that specific term. A vacancy in the Board shall be deemed to exist on the occurrence of the following:

- (1) the death, resignation, or removal of any Director;
- (2) the declaration by the Board of a vacancy in the office of a Director who has missed three consecutive regularly scheduled meetings; or
- (3) an increase in the authorized number of Directors.

Any member may resign at any time effective upon giving written notice to the Board, unless the notice specifies a later time of the effectiveness of the resignation. The term of office of any Board member may be terminated at any time upon the affirmative vote in favor of termination by at least a two-thirds majority of the entire Board. The Chief Executive Officer shall notify the affected Board member of the termination by making appropriate record of the termination in the minutes of the meeting at the end of which such termination becomes effective.

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**Section 4.07. Compensation.** Members may be reimbursed for the actual and necessary traveling and subsistence expenses incurred by them in the performance of the duties of the Foundation if such reimbursement is requested and approved in advance by the Chairman with the concurrence of the Chief Executive Officer. Members may be otherwise compensated for the performance of their duties if such compensation is approved in advance by the Board.

**Section 4.08. Powers.** The Board shall have the general power to manage and control the affairs and property of the Foundation, and shall have full power by majority vote, to adopt rules and regulations governing the action of the Board and the delegation of authority to committees or individuals and shall have full and complete authority with respect to the distribution and payment of the monies received by the Foundation from time to time; provided, however, that in amending the Articles the fundamental and basic purposes of the Foundation, as expressed in the Articles, shall not thereby be amended or changed; and provided further that the Board may not permit any part of the net earnings or capital to inure to the benefit of any private individual or corporation except in furtherance of the purposes set forth in the Articles.

**Section 4.09. Directors Emeritus.** The Board or the Executive Committee of the Board may, in their discretion, designate any former Director or Directors as Directors Emeritus. Director Emeritus status shall be for the lifetime of the person so designated, unless the Director Emeritus resigns or is removed by vote of the Board or the Executive Committee of the Board. Directors Emeritus may attend meetings of the Board and participate in the discussion, but may not vote, be counted in determining the presence of a quorum, or otherwise have any of the powers or duties of a Director.

### ARTICLE V. Officers

**Section 5.01. Officers.** The officers of the Foundation shall consist of a Chairman, a Vice Chairman, a Secretary and a Treasurer, all of whom shall be Directors, and a Chief Executive Officer and such other officers as the Board may from time to time determine, all of whom shall be either Directors or employees of the corporation

The Chairman and Vice Chairman shall be appointed for a 2-year term. They, and all other officers of the Foundation shall hold office at the pleasure of the Board.

Any officer may resign at any time by giving written notice to the Board, the Chairman or the Chief Executive Officer, without prejudice to the rights, if any, of the Foundation under any contract to which such officer is a party. Any resignation shall take effect on the date of the receipt of such notice or at any later time specified in the resignation. Unless otherwise specified in the resignation, the acceptance of the resignation shall not be necessary to make it effective.

In addition to the duties specified in this Article V, officers shall perform all other duties customarily incident to their office and such other duties as may be required by law, by the Articles or by these Bylaws, subject to control of the Board, and shall perform such

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additional duties as the Board shall from time to time assign.

**Section 5.02. Duties of the Chairman.** The Chairman shall, when present, preside at all meetings of the Board and the Executive Committee. The Chairman shall have authority to execute in the name of the Foundation all contracts, deeds, leases, and other written instruments authorized either generally or specifically by the Board to be executed by the Foundation, except when by law the signature of the Chief Executive Officer is required.

**Section 5.03. Duties of the Vice Chairman.** The Vice Chairman shall serve in the absence or incapacity of the Chairman.

**Section 5.04. Duties of the Chief Executive Officer.** The Chief Executive Officer shall be knowledgeable and experienced in matters relating to nonhydro renewable energy technologies and/or resources or fish and wildlife habitat.

The Chief Executive Officer shall manage the day-to-day operation and administration of the business of the Foundation. Where appropriate, the Board shall place the Chief Executive Officer under a contract of employment. The Chief Executive Officer shall be responsible to and governed by the Board, shall report to and advise the Board on all significant matters of the Foundation's business, and shall see that all orders and resolutions of the Board are carried into effect. The Chief Executive Officer shall be the officer responsible for administering policies established in these Bylaws and subsequent resolutions of the Board. The Chief Executive Officer shall be empowered to act, speak for or otherwise represent the Foundation between meetings of the Board within the boundaries of policies and purposes established by the Board and set forth in the Articles and these Bylaws. The Chief Executive Officer is authorized to contract, receive, deposit, disburse, and account for funds of the Foundation in fulfillment of the Foundation's objectives; to execute in the name of the Foundation all contracts, deeds, leases, and other written instruments authorized either generally or specifically by the Board to be executed by the Foundation; and to negotiate all material business transactions of the Foundation.

**Section 5.05. Duties of the Secretary.** The Secretary shall record or cause to be recorded, and shall keep or cause to be kept, a book of minutes of actions taken at all meetings of Directors and committees, with the time and place of holding, the notice given, the names of those present at such meetings, and the proceedings of such meetings.

**Section 5.06. Duties of the Treasurer.** The Treasurer shall keep and maintain or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Foundation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital and other matters customarily included in financial statements.

The Treasurer shall deposit or cause to be deposited all moneys and other valuables in the name and to the credit of the Foundation with such depositories as may be designated by

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the Board. The Treasurer shall disburse or cause to be disbursed the funds of the Foundation as may be ordered by the Board, and shall render to the Chairman and Directors, whenever they request it, an account of all of the Treasurer's transactions as Treasurer and of the financial condition of the Foundation.

**Section 5.07. Compensation.** The Chief Executive Officer shall receive such compensation as is fixed from time to time by the Board.

### ARTICLE VI. Meetings

**Section 6.01. Frequency.** The Board shall meet at least two times a year at dates and times to be determined by the Board. The last regularly scheduled Board meeting during each calendar year shall also be the Annual Meeting. The Bonneville Representative shall be invited to all meetings of the Board. Special meetings of the Board may be called by or at the request of the Chairman or any two members of the Board. Prior written notice shall be given at least 1 week (7 days) before any special meeting of the Board; delivered personally or sent by mail, electronic mail or facsimile to each Director and the Bonneville Representative at his or her address as shown by the records of the Foundation. The general nature of the business to be transacted at the meeting should be specified in the notice.

**Section 6.02. Action at a Meeting: Quorum and Required Vote.** A majority of the voting members of the Board constitute a quorum for meetings of the Board and the transaction of business. Every act done or decision made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board, unless a greater number is required by the Articles, these Bylaws or by law. Each member of the Board shall, at every meeting, be entitled to one vote in person upon each subject properly submitted to vote.

**Section 6.03. Action by Consent.** Any action required or permitted to be taken by the Board or any committee may be taken without a meeting if all of the members of the Board or the committee then in office consent in writing to the adoption of a resolution authorizing the action. The resolution and its consents written by the members of the Board or committee shall be filed with the minutes of the proceedings of the Board or committee. Such consents shall be treated as votes of the Board or committee for all purposes.

### ARTICLE VII. Committees

**Section 7.01. Committees of Directors.** The Board, may by majority vote, designate one or more committees existing for such time and performing such duties as assigned them by the Board, except those duties which by law, the Articles, or these Bylaws they are prohibited from delegating to such committees.

Each committee shall consist of three or more Directors. The appointment or manner of appointment of committee members requires the vote of a majority of the Directors

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present at a meeting at which a quorum is present. The Board may remove any member of such committee at any time, with or without cause. The Board may fill any vacancy in a committee occurring from any cause whatsoever.

Any committee, to the extent of the powers specifically delegated in the resolution of the Board or in these Bylaws, may have all or a portion of the authority of the Board, **except that no committee may**, regardless of Board resolution:

- (1) Approve any action that by law or the Articles requires the consideration and approval by the full Board.
- (2) Fill vacancies on the Board or in any committee that has the authority of the Board.
- (3) Fix compensation for the Directors for serving on the Board or on any committee.
- (4) Amend or repeal the Articles or these Bylaws or adopt new Articles or Bylaws.
- (5) Change the fundamental purposes of the Foundation.
- (6) Amend or repeal any resolution of the Board that by its express terms is not so amendable or repealable.
- (7) Appoint any other committees of the Board or the members of such committees.
- (8) Approve or revoke a plan of voluntary dissolution, bankruptcy or reorganization or the sale, lease, or exchange of all or substantially all of the property and assets of the Foundation otherwise than in the usual and regular course of its business.
- (9) Borrow money or other property on behalf of the Foundation.
- (10) Approve any self-dealing transaction.
- (11) Approve or engage in any actions prohibited by law.

No committee shall bind the Foundation in a contract or agreement or expend Foundation funds, unless authorized to do so by these Bylaws or by the Board.

**Section 7.02. Meetings and Actions of Committees.** Each committee shall conduct its business in the same manner as these Bylaws provide for the Directors. The Board may adopt rules not inconsistent with the provisions of these Bylaws for the governance of any committee. Minutes shall be kept of each committee meeting and shall be filed with the Foundation records. The Chief Executive Officer shall send or cause to be sent to each Director a summary report of the business conducted at any meeting of any committee of the Board.

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**Section 7.03. Executive Committee.** The Board may appoint three or more Directors, one of whom shall be the Chairman, to serve as the Executive Committee of the Board. The Executive Committee, unless limited in a resolution of the Board, shall have and may exercise all the authority of the Board in the management of the business and affairs of the Foundation between meetings of the Board; provided, however, that the Executive Committee shall not have the authority of the Board in reference to those matters enumerated in Section 7.01 of this Article VII, and further provided that the Executive Committee shall not have the authority to exercise those duties and responsibilities delegated to the Project Committee in Section 7.04 of this Article VII.

**Section 7.04. Watershed and Renewable Energy Committees.** The Board shall appoint not less than two Directors each to serve as the Watershed Committee and the Renewable Energy Committee. Each committee shall select from its members at each meeting a spokesperson for the committee to present the findings, actions and recommendations of the committee to the Board at each meeting of the Board. The vote of a majority of the members of each committee shall constitute committee action and be sufficient to decide any question brought before the committee. Meetings of the Watershed Committee and Renewable Energy Committee shall be open to any interested member of the Board.

The Watershed Committee and the Renewable Energy Committee shall have and exercise the following duties and responsibilities:

- (1) Consult with affected Indian tribes to insure proposed projects do not interfere with Bonneville's trust responsibilities to the tribes and are not in conflict with tribal fish and wildlife restoration programs, cultural values, or cultural resources.
- (2) Propose projects for funding, evaluate projects proposed for funding, offer recommendations regarding project selection and assist the Board in prioritizing projects for funding as and when the Board from time to time may request.
- (3) Report on the slate of projects approved, deferred or recommended for other action by the committee to the Board at each meeting of the Board.
- (4) Evaluate funded projects annually and present findings to Board.

The Watershed Committee and the Renewable Energy Committee shall have and exercise such other duties and responsibilities as are delegated to them by the Board from time to time.

**Section 7.05. Finance Committee.** The Board may appoint three or more Directors to serve as the Finance Committee of the Board. The Finance Committee shall have and exercise the following duties and responsibilities:

- (1) Monitor and review the Foundation budget.

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- (2) Oversee all Foundation investments maintained by financial and investment institutions.
- (3) Monitor and oversee the travel and subsistence expenses for Board members and officers.
- (4) Review the annual, independently prepared audit.

The Finance Committee shall have and exercise such other duties and responsibilities as are delegated to it by the Board from time to time.

**Section 7.06. Audit Committee.** In order to fully meet its statutory and fiduciary duties and responsibilities, the Board shall appoint three or more Directors to serve as the Audit Committee of the Board. In making such appointments, the Board shall consider a member's business experience; knowledge of the organization's operations, finances and accounting practices; practical knowledge of the management of nonprofit institutions; facility in obtaining information by inquiry; commitment to the organization; and commitment to give Audit Committee responsibilities sufficient time and attention. At the Board's discretion, the Audit Committee members may also serve as Finance Committee members.

The Audit Committee shall meet not less often than twice annually, and more often as necessary to fulfill their duties and responsibilities. The Audit Committee shall have unrestricted access to all organization personnel and documents, and will be provided with the resources and authority necessary to discharge its responsibilities. The Audit Committee shall have and exercise the following duties and responsibilities:

- (1) Oversee the organization's internal financial control structure and mechanisms.
- (2) Review the organization's accounting policies and policy decisions.
- (3) Review management and staff expenses, expense policies and controls.
- (4) Review compliance with IRS and other governmental regulations.
- (5) Review policies established to avoid conflicts of interest.
- (6) Annually nominate the independent auditors, confirm the auditors' independence, review the annual audit plan, and review all audit findings and conclusions.
- (7) Review auditor's recommendations to the organizations contained in any auditor's management letters, and review the organizational response to such recommendations.
- (8) At least annually, provide the Board with a report summarizing the activities, conclusions and recommendations of the committee with respect to the organization's

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past and future activities, including any auditor's recommendations and organization responses.

(9) Review this statement of duties and responsibilities annually and propose any recommended changes to the Board.

**Section 7.07 Compensation Committee.** The Board may appoint two or more Directors to review the annual performance of the executive officers and to approve changes in compensation for them. At the Board's discretion, the Compensation Committee members may also serve as Executive Committee members.

### **ARTICLE VIII. General Provisions**

**Section 8.01. Fiscal Year.** The fiscal year of the Foundation shall be the period from April 1 to March 31.

**Section 8.02. Checks and Drafts.** All checks, drafts and orders for payment of money drawn on banks or other depositories of funds to the credit of the Foundation, or in special accounts of the Foundation, shall be signed in the name of the Foundation by such Board members, officers, employees or agents of the Foundation as the Board shall authorize from time to time for that purpose.

**Section 8.03. Contracts, Conveyances or Other Instruments.** The Board may, in its discretion, determine the method and designate the signatory officer or officers or other person or persons, to execute any Foundation instrument or document, or to sign the Foundation name without limitation, except when otherwise provided by law, and such execution or signature shall be binding upon the Foundation. Unless otherwise specifically determined by the Board or otherwise required by law, formal contracts of the Foundation, deeds of Foundation, and other Foundation instruments or documents shall be executed, signed, or endorsed by the Chairman, Vice Chairman, or Chief Executive Officer. The Board shall have power to designate the officers, employees or agents who shall have authority to execute any instrument on behalf of the Foundation.

**Section 8.04. Contributions.** The Board may solicit and receive contributions, gifts, bequests or other monies to fund its work. Nothing herein shall prohibit the Foundation from accepting any contribution whatsoever, from any source including federal, State or local governments or agencies of the United States Government, consistent with all applicable laws, the Articles and these Bylaws, for any purpose to further the purposes of the Foundation.

**Section 8.05. Investments.** Any funds held by the Foundation may be retained in whole or in part in cash or be invested and reinvested from time to time as the Board in its sole discretion may deem appropriate.

### **ARTICLE IX. Reports**

The Foundation shall provide to the Directors as soon as practicable after the end of each

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fiscal year, a report of its proceedings and activities during such year, including a full and complete statement of its receipts, expenditures, and investments, and a description of all acquisitions and disposals of donated real property. The Foundation shall as soon as practicable after the end of each fiscal year, transmit a copy of this report to the Bonneville Representative and to the Council and make such report available to interested members of the public.

### **ARTICLE X. Standard of Care**

**Section 10.01. General.** A Director shall perform the duties of a director, including duties as a member of any committee of the Board on which the Director may serve, in good faith, in a manner such Director believes to be in the best interest of the Foundation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like situation would use under similar circumstances.

**Section 10.02. Loans.** The Foundation shall not make any loan of money or property to, or guarantee the obligation of, any Director or officer.

**Section 10.03. Insurance.** The Foundation shall have the power to purchase and maintain insurance to the full extent permitted by law on behalf of its officers, Directors, employees, and agents, against any liability asserted against or incurred by such person in such capacity or arising out of the person's status as such.

### **ARTICLE XI. Nondiscrimination**

The Foundation shall not discriminate in providing services, hiring employees, or otherwise upon the basis of sex, race, creed, marital status, sexual orientation, religion, color, age, or national origin.

### **ARTICLE XII. Amendments**

These Bylaws may be altered or amended by a two-thirds vote of the Directors at any meeting of the Board where there is a quorum present, provided that notice of the proposed amendment be given in writing to all Board members at least 10 days before the Board meeting.

### **Certification**

The foregoing are the Bylaws of Bonneville Environmental Foundation as duly adopted and amended by the Board of Directors through April 1, 2007.

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Secretary



**Department of Energy**  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

POWER BUSINESS LINE

**AUTHENTICATED**  
August 17, 1998

In reply refer to: PSB-5

Contract No. 98PB-10317  
**ENDORSED RESOURCES  
AGREEMENT**

Ms. Sara Patton, Coalition Director  
NW Energy Coalition  
219 First Avenue S., Suite 100  
Seattle, WA 98104

Mr. Ralph Cavanagh, Senior Attorney  
Natural Resources Defense Council  
71 Stevenson Street, Suite 1825  
San Francisco, CA 94105

Ms. Rachel Shimshak, Project Director  
Renewable Northwest Project  
1130 SW. Morrison, Suite 330  
Portland, OR 97205

As a result of discussions among representatives of the Renewable Northwest Project, the Natural Resources Defense Council, the NW Energy Coalition (the "Public Interest Groups") and the Bonneville Power Administration (Bonneville), the Public Interest Groups have agreed to endorse certain power generating facilities that are environmentally preferred sources of electricity (the "Endorsed Resources") for electric power products. In exchange for this endorsement, Bonneville has agreed to pay a portion of the market premium Bonneville receives from the sale of electricity from these Endorsed Resources directly to the Bonneville Environmental Foundation (the "Foundation").

The Foundation will provide an independent source of capital, to develop new nonhydro renewable resources and the acquisition, maintenance, or restoration of fish and wildlife habitat. Creation of the Foundation itself will not diminish Bonneville's obligation to fund programs for these purposes internally. Funds held by the Foundation will complement, not supplant, Bonneville programs.

In addition to the payments made by Bonneville, the Foundation will seek contributions from a variety of voluntary sources. The Foundation Board of Directors will determine whether it wishes to accept funds from any source.

Accordingly, Bonneville proposes the following:

1. **EFFECTIVE DATE.** This letter agreement (Agreement) shall become effective on the date that the Public Interest Groups and Bonneville execute it.

2. **EXHIBITS.** Exhibit A (Endorsed Resources), Exhibit B (Articles of Incorporation), Exhibit C (Bylaws), and Exhibit D (Public Interest Groups) are attached hereto and made a part of this Agreement.

3. **ENDORSED RESOURCES.** The Public Interest Groups endorse the Endorsed Resources specified in Exhibit A. As such, the following statement may be used exclusively by Bonneville and purchasers of Bonneville's environmentally superior power products in the marketing of such Endorsed Resources:

*"The Idaho Falls and Packwood hydroelectric generating facilities and the Wyoming Wind project are environmentally preferred sources of electricity generation for electricity products, based on our independent review of environmental impacts."*

*NW Energy Coalition  
Natural Resources Defense Council  
Renewable Northwest Project*

Additional parties may be added to Exhibit D as Endorsers of the resources listed in Exhibit A.

4. **MARKETING OF ENDORSED RESOURCES**

(a) **Use of Endorsement.** Bonneville may use the endorsement provided in section 3 to promote the sale of power to prospective purchasers. Purchasers may use the endorsement provided in section 3 to promote the resale of this power to consumers. Neither Bonneville nor the purchasers shall use the endorsement in its marketing of any unendorsed products. If Bonneville and the Public Interest Groups agree to include additional Endorsed Resources in Exhibit A, then the parties to this Agreement shall execute a revision to Exhibit A to reflect such addition(s). If Bonneville and the Public Interest Groups agree to include additional parties to this Agreement, then the parties to this Agreement shall execute a revision to Exhibit D to reflect such additions.

(b) **Environmental Premium and Endorsement Allocation.** The purchase price for power from an Endorsed Resource will have a negotiated premium included in such price (the "Environmental Premium"). The Environmental Premium will be equal to the difference between the total price to be paid by the purchaser for the Endorsed Resource and the price that Bonneville would have received had it sold the power as system power at a market-based rate. For a new renewable resource that may be added to Exhibit A, the Environmental Premium is the amount over and above the cost of purchasing an increment of power from the project developer. The amount of the Environmental Premium allocated to the value of the

endorsement (the "Endorsement Allocation") shall be equal to the percentage specified in Exhibit A for the Endorsed Resource, multiplied by the Environmental Premium.

(c) **Assignment of Endorsement Allocation.** The Public Interest Groups assign to the Foundation any interest they may have, financial or otherwise, in the Endorsement Allocation. This Agreement shall be fully binding upon, inure to the benefit of and be enforceable by the parties to this Agreement and the Foundation.

(d) **Obligation to Make Payment(s) to the Foundation.** In each power sales contract that Bonneville executes with a purchaser for sales of power from Endorsed Resources, Bonneville shall be obligated to pay the Endorsement Allocation directly to the Foundation. Bonneville may sell power from Endorsed Resources without including an Endorsement Allocation (as defined in section 4(b)) in the price; **provided, however**, that in this event, Bonneville and the purchaser shall not use the endorsement.

(e) **Methods of Payment to the Foundation.** Bonneville shall have the option to pay the Foundation using a variety of methods, including, but not limited to:

- (1) a lump sum payment to the Foundation within a specified number of days after a power sales contract is executed;
- (2) a payment monthly following the end of each month for the previous month's contracted purchases; or
- (3) a payment quarterly following the end of each quarter for the previous 3 months' contracted purchases.

5. **BONNEVILLE ENVIRONMENTAL FOUNDATION.** The purposes of the Foundation are the development or application of new nonhydro renewable resources and the acquisition, maintenance, preservation, restoration, protection or management of fish and wildlife habitat within the Pacific Northwest. It is being formed by private individuals as a nonprofit charitable corporation to be operated so as to be exempt from taxation and eligible for tax deductible donations. The Articles of Incorporation are contained in Exhibit B. The Draft Bylaws of the Foundation are contained in Exhibit C.

6. **COUNTERPART SIGNATURE.** This Agreement may be executed by counterparts. Upon execution by the Public Interest Groups and Bonneville, each executed counterpart shall have the same force and effect as an original instrument and as if Bonneville and the Public Interest Groups had signed the same

instrument. The signatories represent that they are authorized to enter into this Agreement on behalf of the Party for whom they sign.

If this Agreement is acceptable to the Public Interest Groups, please so indicate by signing below.

Sincerely,

**/S/ DENNIS OSTER**

Dennis Oster  
Account Executive

ACCEPTED:

NW ENERGY COALITION

NATURAL RESOURCES DEFENSE  
COUNCIL

By **/S/ SARA PATTON**

By **/s/ RALPH CAVANAGH**

Name Sara Patton  
*(Print/Type)*

Name Ralph Cavanagh  
*(Print/Type)*

Title Coalition Director

Title Energy Program Director

Date September 21, 1998

Date Sept. 17, 1998

RENEWABLE NORTHWEST PROJECT

By **/S/ J. RACHEL SHIMSHAK**

Name J. Rachel Shimshak  
*(Print/Type)*

Title Director

Date 9/22/98

**Exhibit A**  
**ENDORSED RESOURCES**

<b>Endorsed Resource</b>	<b>Percentage to be Used to Calculate the Endorsement Allocation</b>
<p>1. <b>Packwood Hydroelectric Project (FERC 2244).</b> The project is located at the outlet of Packwood Lake, which abuts the Goat Rocks Wilderness Area, on the western slope of Washington's Cascade Mountains. The facility was designed and is operated to have minimal effects on the recreational opportunities provided by this pristine setting. Additionally, the facility does not significantly interfere with the health of resident or anadromous fish populations. The 27.5 megawatt (MW) project is owned and operated by the Washington Public Power Supply System. Power from the project is marketed by Bonneville.</p>	60 percent
<p>2. <b>Idaho Falls Hydroelectric Project (FERC 2842).</b> This project consists of three dams located on the Snake River, in and near the City of Idaho Falls, Idaho. These dams are run-of-the-river facilities whose bulb turbines provide better than 98 percent downstream fish passage survival. The 27 MW project is owned and operated by the City of Idaho Falls. The project's power is marketed by Bonneville.</p>	60 percent
<p>3. <b>Wyoming Wind Project.</b> This project is located in south-central Wyoming. It is located on top of the Foote Creek Rim near Arlington, Wyoming. The project design uses careful wind turbine siting and state-of-the-art measures to reduce the possibility of harming raptors. An eagle management and monitoring plan will assess the effectiveness of these measures and will be used to develop mitigation measures for future development. Bonneville is purchasing 15.32 MW of the project's 41.4 MW capacity.</p>	60 percent

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**FUNDING MEMORANDUM OF AGREEMENT**

**Between**

**BONNEVILLE POWER ADMINISTRATION**

**and**

**THE BONNEVILLE ENVIRONMENTAL FOUNDATION**

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- Exhibit A Examples of BPA Renewable Premium Calculations**
- Exhibit B Examples of BPA Funding Commitment Calculations**
- Exhibit C Renewable Resources**

This FUNDING MEMORANDUM OF AGREEMENT (MOA) is executed by the UNITED STATES OF AMERICA, Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (BPA) and THE BONNEVILLE ENVIRONMENTAL FOUNDATION (BEF). BEF is organized under the laws of the State of Oregon. BPA and BEF are sometimes referred to individually as "Party" and collectively as "Parties."

**RECITALS**

The Parties agree as follows:

**1. PURPOSE**

The purpose of this MOA is to set forth the expectations of BPA and BEF with regard to BPA's budget commitment to fund activities of BEF that complement BPA's statutory public purpose of encouraging the development of renewable resources within the Pacific Northwest. This MOA is intended to provide a

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multi-year budget to support renewable resources in the Pacific Northwest. This MOA will assure that the funds directed toward BEF are only those funds derived from premiums included in BPA's sales of Environmentally Preferred Power, Green Tags, and other marketing and sales programs, which may replace or be in addition to such sales, excluding sales of Alternative Renewable Energy. Funds received by BPA from sales of physical power are not included in this MOA.

### 2. **TERM**

This MOA, when executed by BPA and BEF, shall become effective on October 1, 2003, and shall continue in effect until November 30, 2011, unless terminated earlier pursuant to section 5 below. All liabilities incurred hereunder shall be preserved until satisfied.

### 3. **DEFINITIONS**

- (a) **"Alternative Renewable Energy" or "ARE,"** means power deemed to be generated by generating resources that are determined to have environmental benefits relative to BPA system power. For purposes of this MOA, blended Alternative Renewable Energy is deemed to be generated from Renewable Resources. ARE is distinguished from Environmentally Preferred Power in that ARE customers have specifically requested that none of the Green Energy Premium associated with their ARE purchases is to be directed to BEF.
- (b) **Direct Application Renewable Resource,** means a resource which utilizes solar, wind, hydro, geothermal biomass, or similar sources of energy which reduce the electric power requirements of consumers served by BPA's public utility and electric cooperative customers, thereby offsetting demand on the BPA system.
- (c) **"Environmentally Preferred Power," or "EPP,"** means power sold by BPA that includes a Green Energy Premium and is deemed to be generated by generating resources that are determined to have environmental benefits relative to BPA system power. For purposes of this MOA, Environmentally Preferred Power is deemed to be generated from Renewable Resources. EPP sales have often included an endorsement accompanied by a customer payment to BEF.
- (d) **Fiscal Year," or "FY,"** means a 1-year period that begins on October 1 and ends on the following September 30.
- (e) **"Green Energy Premium," or "GEP,"** shall be as defined in BPA's 2002 General Rate Schedule Provisions for Power Rates, or its successor(s).
- (f) **"Green Tag"** means the Non-Power Attributes associated with the energy generated from a Renewable Resource. One Green Tag represents the Non-Power Attributes made available by the generation of 1 MWh from one or more Renewable Resources. Green Tags are also referred to as "Renewable Energy Certificates" or "Tradable Renewable Certificates."

- (g) **"Non-Power Attributes"** means the fuel, emissions, or other environmental characteristic of a Renewable Resource. Non-Power Attributes do not include any energy, capacity, reliability, or other power attributes used by BPA to provide electricity services. Non-Power Attributes are expressed in MWh, and are not a calculation of the quantity or value of avoided emissions from such attributes.
- (h) **"Renewable Resources"** means those resources specified in Exhibit C, which is attached hereto and made a part of this MOA.

#### 4. USE AND REPORTING

- (a) **Use of Funds by BEF**

Funds provided to the BEF under this MOA shall be used for the following activities for the benefit of BPA's public utility and electric cooperative customers: (1) renewable educational programs, (2) renewable research, development and demonstration (RD&D) activities, and (3) Direct Application Renewable Resources by end-use consumers served by BPA's public utility and electric cooperative customers; *provided however*, that: (a) such BPA public utility and electric cooperative customers shall be notified in writing by BEF prior to BEF's engaging in such activities in their service areas, and (b) money provided to BEF under this MOA will not comprise the majority of funding for direct application resources other than solar.
- (b) **Eligible Expenses**

At least 80 percent of the funds provided to BEF under this MOA shall be directed towards activities listed in 4(a) above. Specifically, at least 80 percent of such funds shall be used for the following purposes: (1) capital expenses associated with renewable educational programs, RD&D or Direct Application Renewable Resource projects, (2) expenses associated with activities directly related to installing or implementing renewable educational programs, RD & D projects, or Direct Application Renewable Resource projects; and (3) expenses associated with studies or research demonstrating the viability of new renewable technologies or (4) expenses associated with other activities that have been approved in writing by BPA. Any remaining funds may be directed towards general and administrative expenses which jointly support BEF in general, and this MOA in particular.
- (c) **Annual Report**

By June 30 of each calendar year, BEF will submit an annual report to BPA that will summarize BEF's activities during the previous FY. The first such annual report will be due June 30, 2005. Each annual report will identify specific projects and activities supported by funds provided to BEF under this MOA, itemize BEF expenditures of such funds, including BEF general and administrative expenses and describe any plans for future expenditures of

such funds, including the proposed use of funds that have been transferred to BEF but remain unobligated by BEF.

**5. TERMINATION OF MOA**

A finding by BPA that funds have been used by BEF on activities different from those described in sections 4(a) and/or 4(c) above shall give rise to the right by BPA, at its sole discretion, to terminate this MOA upon 30 days written notice to the BEF.

**6. FUNDING COMMITMENT**

Funds will be made available to the BEF as provided below.

**(a) Funding Amounts For FYs 2004 through 2006**

Not later than September 30 of FY 2004, FY 2005, and FY 2006, BPA will provide BEF with \$86,000.00, payable in one lump sum. Additional payments may be made based upon the following calculation:

Step 1. Following the end of each of these FYs, BPA will calculate BPA's total revenue from GEP associated with sales of EPP, Green Tags, and other renewable premium programs received during the previous FY, which may replace or be in addition to such sales, excluding sales of Alternative Renewable Energy;

Step 2. BPA will multiply such total revenue from Step 1 above by a factor of 35 percent.

Step 3. BPA will then calculate BEF's total revenue received from BPA customer contributions made to BEF pursuant to BPA sales of EPP, plus any additional green premium revenues BEF receives from BPA customers pursuant to BPA contracts during the previous FY; and

If the amount calculated in Step 2 is greater than the amount calculated in Step 3 plus \$86,000.00, then BPA will pay BEF an additional amount equal to the positive difference (i.e., Step 2 minus Step 3) not later than November 30 following each FY.

**(b) Funding Amounts For FYs 2007 through 2011**

For each FY during the period FY 2007 through 2011, the annual funding amount to BEF will be equal to the greater of (1) \$250,000 or (2) an amount as calculated below. If, for any FY, the annual funding amount is less than \$250,000, then the provisions of section 7 below shall apply.

Step 1. Following the end of each of these FYs, BPA will calculate BPA's total revenue from GEP associated with sales of EPP, Green Tags, and other renewable premium programs received during the previous FY, which may replace or be in addition to such sales, excluding sales of Alternative Renewable Energy;

Step 2. BPA will multiply such total revenue by a factor of 36 percent;

Step 3. BPA will calculate BEF's total revenue received from BPA customer contributions made to BEF pursuant to BPA sales of EPP, plus any additional green premium revenues BEF receives from BPA customers pursuant to BPA contracts during the previous FY;

Step 4. BPA will then subtract the Step 3 amount from the Step 2 amount; and

BPA will pay to BEF the greater of the Step 4 amount or \$250,000.00 not later than each November 30 following each FY.

(c) **Examples of BPA Renewable Premium Calculations and BPA Funding Commitment Calculations**

Illustrative examples of (1) BPA Renewable Premium calculations, and (2) BPA Funding Commitment calculations are included in Exhibits A and B, respectively, which are attached hereto and made a part of this MOA.

(d) **Information Exchange for Step 3 Calculations in Sections 6(a) and 6(b) Above**

In order to make certain that BPA is credited for all Green Energy Premium revenues BEF receives pursuant to BPA contracts, Step 3 calculations pursuant to sections 6(a) and 6(b) above shall include the following information exchange: (i) BEF will provide BPA an estimate of BEF's revenue pursuant to BPA's EPP contracts for the current FY not later than each September 1; (ii) BPA shall provide BEF with a final tally of BEF's revenue pursuant to BPA's EPP contracts for that FY not later than each October 1; (iii) BEF shall provide BPA with BEF's final revenue pursuant to BPA's EPP contracts for that FY not later than each October 31.

Revenue information submitted by BEF that is required to perform each Step 3 calculation under sections 6(a) and 6(b) above will specify utility-specific data.

(e) **Revenue Tracking**

BPA revenues from Green Tags sold during a then-current FY, but generated during a previous FY, will be booked as revenue during the then-current FY. BPA revenues from Green Tags generated in any future FY, but sold during the then-current FY, will be booked as revenue in the FY in which they are generated and not in the then-current FY.

7. **SUSPENSIONS OF PAYMENT FOR FYS 2007 THROUGH 2011**

Any BPA annual payment to BEF for FYS 2007 through 2011 shall not be made if BPA's total annual renewable premium revenues received from the sales of EPP and Green Tags, or their successors, for any FY is less than \$250,000.00.

8. **APPLICABLE LAW**

Federal law shall govern the implementation of this MOA and any action, whether mediated or litigated, brought or enforced.

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9. **AUDIT RIGHTS**

Subject to written notice, BPA shall have the right to audit BEF with regard to BEF's use of funds received from BPA under this MOA.

10. **PAYMENT PROVISIONS**

All payments by BPA to BEF shall be made by wire transfer in accordance with wire transfer instructions provided by BEF to BPA.

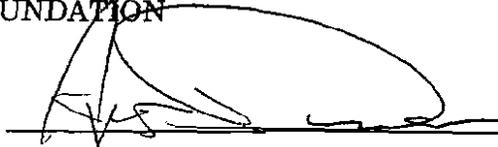
11. **SIGNATURES**

The signatories represent that they are authorized to enter into this Agreement on behalf of the Party for whom they sign.

BONNEVILLE ENVIRONMENTAL  
FOUNDATION

UNITED STATES OF AMERICA  
Department of Energy  
Bonneville Power Administration

By



By



Name

ANGUS DUNCAN  
*(Print/Type)*

Name

Debra J. Malin  
*(Print/Type)*

Date

7-15-04

Date

7/15/04

**Exhibit A**  
**EXAMPLES OF BPA RENEWABLE PREMIUM CALCULATIONS**

Per section 6 of the body of this MOA, the funding commitment by BPA for an FY is a function of BPA's total revenue received from (a) Green Energy Premiums associated with BPA sales of EPP, (b) Green Tag sales, and (c) other renewable marketing and sales programs which may replace or be in addition to EPP and Green Tag sales. Revenue from sales of Alternative Renewable Energy is excluded from BPA's total revenue for purposes of determining BPA's funding commitment.

The derivation of BPA's total premiums shall be performed on an "accrual" basis, rather than cash basis. Also, any discounts for lump sum payments (specifically, prepayment discounts tied to the time value of money for tag purchases over an extended term) shall be excluded from the BPA total premium calculation (SEE Example 5 below).

The following hypothetical examples illustrate how the derivation of includable premiums is performed under assorted scenarios:

**Example 1. EPP sale – Billed Monthly**

A preference customer of BPA purchases 0.5 aMW of EPP (100% wind EPP) for FY 2005. BPA's share of EPP premiums is \$5.50/MWh. Total amount billed to this customer by BPA for FY 2005 is \$24,090 (or 0.5 aMW x 8,760 hours/year x \$5.50/MWh), to be billed in equal increments across the twelve billing months October 2004 through September 2005. ***The entire amount of revenue for this sale is included in BPA's total premiums for FY 2005***, even though (because of the usual billing and payment cycles) BPA won't receive payment for September 2005 until October 2005, i.e., early FY 2006.

**Example 2. Green Tag sale with Lump Sum Payment**

BPA sells 1,200 Green Tags to a regional marketing entity at a price of \$5/tag. Per the sale confirm, the term of the sale is January 1, 2005, through December 31, 2005. The purchaser of the tags submits full payment of \$6,000 (\$5 x 1,200 tags) on July 1, 2005. Even though BPA received full cash payment within FY 2005, ***only the portion of this sale that is attributable to January through September 2005 is included in FY 2005 BPA total premiums***. The contribution to BPA total premiums for FY 2005 is calculated as follows:  $[(9 \text{ mos.}/12 \text{ mos.}) \times \$6,000] = \$4,500$ . The remaining \$1,500 in Green Tag premium revenues is attributable to October through December 2005 and, therefore, includable in FY 2006 BPA total premiums.

**Example 3. Green Tag sale with Lump Sum Payment which Pre-Dates term of MOA**

BPA sold 1,200 Green Tags to a regional marketing entity at a price of \$5/tag for calendar year 2003. Per the sale confirm, the term of the sale was January 1, 2003, through December 31, 2003. The purchaser of the tags submitted full payment of \$6,000 on July 1, 2003. ***Even though both the execution date of this sale and receipt of full payment predated the MOA, a portion of tag premiums from this sale is includable in***

## Attachment 9

***FY 2004 BPA total premiums for purposes of BPA's funding commitment.*** The includable premiums are those premiums attributable to October through December 2003, i.e., the first three months of FY 2004, and the calculation is as follows:  $[(3 \text{ mos.}/12 \text{ mos.}) \times \$6,000] = \$1,500$ .

### **Example 4. Green Tag sale with Lump Sum Payment with Prepayment Discount**

BPA sold 3,600 Green Tags to a regional marketing entity at a price of \$5/tag for a period inclusive of calendar years 2003 through 2005, i.e., a sale term of 36 months. Per the sale confirm, the term of the sale was January 1, 2003, through December 31, 2003. The total dollar value of the tags before any discounts was \$18,000 (or \$500/month over the 36-month term). BPA and the purchaser agreed to a lump sum payment at the very beginning of the sale term (specifically, the first business day in January 2003), and agreed to apply a prepayment annual discount rate of 3.0 percent. Purchaser promptly submitted payment for the discounted lump sum of \$17,193 on January 2, 2003, which equates to a prepayment discount of \$807. ***The calculation of total premium revenues shall be based on the discounted revenue amounts associated with this sale, prorated across all months included in the term of the sale.*** The amount of premiums attributable to each FY is as follows:

**FY 2003:** \$4,444.26 (9 months @ \$500/mo; January 2003 through September 2003, discounted at 3.0 percent annual rate) – Excluded from this MOA because these months precede the MOA effective date.

**FY 2004:** \$5,772.44 (12 months @ \$500/mo, discounted at 3.0 percent annual rate)

**FY 2005:** \$5,602.05 (12 months @ \$500/mo, discounted at 3.0 percent annual rate)

**FY 2006:** \$1,374.48 (3 months @ \$500/mo; October 2006 through December 2006, discounted at 3.0 percent annual rate)

**Exhibit B**  
**EXAMPLES OF BPA FUNDING COMMITMENT CALCULATIONS**

The following examples illustrate the calculation BPA funding commitment, based on BPA's total premium, per section 6 of the MOA.

The first two examples illustrate the annual derivation of BPA's funding commitment for the period FY 2004 through 2006 under differing BPA total premium levels. The final three examples illustrate the derivation of funding commitment for each FY during the period FY 2007 through 2011, again based on varying levels of BPA total premiums.

**Example 1: BPA funding commitment FYs 2004 through 2006 – NO ADDITIONAL FUNDING COMMITMENT BEYOND \$86,000 LUMP SUM PAYMENT.**

**STEP 1:** During FY 2005, BPA realizes the following premiums (quantified based on the principles illustrated in Exhibit A):

EPP premium revenues:	\$150,000
Green Tag revenues:	\$ 75,000
Alternative Renewable Energy (ARE) premiums	\$ 25,000

BPA receives no premiums from any replacement or additional renewable premium program.

The BPA total premium for FY 2005 is \$225,000, or the sum of EPP premium revenues and Green Tag revenues. ARE premiums are excluded from BPA total premiums, per section 6 of the MOA.

BPA's funding commitment is determined as follows:

**STEP 2:** BPA total premiums x 35 percent; or [ $\$225,000 \times .35$ ]. The result is \$78,750.

**STEP 3:** Total BEF share of green power revenues from BPA customer contributions (EPP and any other revenues to BEF pursuant to BPA contracts) is determined to be \$150,000.

**FY 2005 RESULT:**

- Compare (a) amount calculated in Step 2 with (b) the amount calculated in Step 3, plus \$86,000.
- Step 2 calculation = \$78,750;
- (Step 3 result + \$86,000) =  $\$150,000 + \$86,000 = \$236,000$ .
- The Step 2 calculated amount *does not* exceed the sum of the amount calculated in Step 3 plus \$86,000. Therefore, there is no incremental BPA's funding commitment for FY 2005 beyond the \$86,000 lump sum amount payable to the BEF on September 30, 2005.

## Attachment 9

### **Example 2: BPA funding commitment FYs 2004 through 2006 – ADDITIONAL FUNDING COMMITMENT BEYOND \$86,000.**

**STEP 1:** During FY 2005, BPA realizes the following premiums (quantified based on the principles illustrated in Exhibit A):

EPP premium revenues:	\$ 50,000
Green Tag revenues:	\$400,000
Alternative Renewable Energy (ARE) premiums	\$ 25,000

BPA receives no premiums from any replacement or additional renewable premium program.

The BPA total premium for FY 2005 is \$450,000, or the sum of EPP premium revenues and Green Tag revenues. ARE premiums are excluded from BPA total premiums, per section 6 of the MOA.

BPA's funding commitment is determined as follows:

**STEP 2:** BPA total premiums x 35 percent; or [ $\$450,000 \times .35$ ]. The result is \$157,500.

**STEP 3:** Total BEF share of green power revenues from BPA customer contributions (EPP and any other revenues to BEF pursuant to BPA contracts) is determined to be \$50,000.

#### **FY 2005 RESULT:**

- Compare (a) amount calculated in Step 2 with (b) the amount calculated in Step 3, plus \$86,000.
- Step 2 calculation = \$157,500.
- (Step 3 result + \$86,000) =  $\$50,000 + \$86,000 = \$136,000$ .
- The Step 2 calculated amount *exceeds* the sum of (a) the amount calculated in Step 3, plus (b) \$86,000. The incremental BPA funding commitment is \$21,500 (or  $\$157,500 - \$136,000$ ). Therefore, in addition to the \$86,000 lump sum amount payable to the BEF on September 30, 2005, BPA will remit \$21,500 to the BEF on or before November 30, 2005.

## Attachment 9

### **Example 3: BPA funding commitment FYs 2007 through 2011 – NO ADDITIONAL BPA FUNDING COMMITMENT BEYOND \$250,000.**

**STEP 1:** During FY 2008, BPA realizes the following premiums (quantified based on the principles illustrated in Exhibit A):

EPP premium revenues:	\$ 50,000
Green Tag revenues:	\$250,000
Alternative Renewable Energy (ARE) premiums	\$ 25,000

BPA receives no premiums from any replacement or additional renewable premium program.

The BPA total premium for FY 2008 is \$300,000, or the sum of EPP premium revenues and Green Tag revenues. ARE premiums are excluded from BPA total premiums, per section 6 of the MOA.

BPA's funding commitment is determined as follows:

**STEP 2:** BPA total premiums x 36 percent; or [ $\$300,000 \times .36$ ]. The result is \$108,000.

**STEP 3:** Total BEF share of green power revenues from BPA customer contributions (EPP and any other revenues to BEF pursuant to BPA contracts) is determined to be \$50,000.

**STEP 4:** The Step 3 amount is subtracted from the amount calculated in Step 2, as follows:  $(\$108,000 - \$50,000) = \$58,000$ .

#### **FY 2008 RESULT:**

- BPA's funding obligation for FY 2008 is the greater of (a) \$250,000, or (b) amount calculated in Step 4.
- The amount calculated in Step 4 is \$58,000; therefore, BPA's funding obligation for FY 2008 is \$250,000, payable to the BEF on or before November 30, 2008.

## Attachment 9

### **Example 4: BPA funding commitment FYs 2007 through 2011 - ADDITIONAL BPA FUNDING COMMITMENT BEYOND \$250,000.**

**STEP 1:** During FY 2008, BPA realizes the following premiums (quantified based on the principles illustrated in Exhibit A):

EPP premium revenues:	\$ 20,000
Green Tag revenues:	\$800,000
Alternative Renewable Energy (ARE) premiums	\$ 25,000

BPA receives no premiums from any replacement or additional renewable premium program.

The BPA total premium for FY 2008 is \$820,000, or the sum of EPP premium revenues and Green Tag revenues. ARE premiums are excluded from BPA total premiums, per section 6 of the MOA.

BPA's funding commitment is determined as follows:

**STEP 2:** BPA total premiums x 36 percent; or [ $\$820,000 \times .36$ ]. The result is \$295,200.

**STEP 3:** Total BEF share of green power revenues from BPA customer contributions (EPP and any other revenues to BEF pursuant to BPA contracts) is determined to be \$20,000.

**STEP 4:** The Step 3 amount is subtracted from the amount calculated in Step 2, as follows: ( $\$295,200 - \$20,000$ ) = \$275,200.

#### **FY 2008 RESULT:**

- BPA's funding obligation for FY 2008 is the greater of (b) \$250,000, or (b) amount calculated in Step 4.
- The amount calculated in Step 4 is \$275,200; therefore, BPA's funding obligation for FY 2008 is \$275,200, payable to the BEF on or before November 30, 2008.

Attachment 9

**Example 5: BPA funding commitment FYs 2007 through 2011 - BPA ANNUAL PAYMENTS SUSPENDED.**

**STEP 1:** During FY 2008, BPA realizes the following premiums (quantified based on the principles illustrated in Exhibit A):

EPP premium revenues:	\$ 20,000
Green Tag revenues:	\$200,000
Alternative Renewable Energy (ARE) premiums	\$ 25,000

BPA receives no premiums from any replacement or additional renewable premium program.

The BPA total premium for FY 2008 is \$220,000, or the sum of EPP premium revenues and Green Tag revenues. ARE premiums are excluded from BPA total premiums, per section 6 of the MOA.

**STEPS 2 through 4:** (NOT APPLICABLE IN THIS EXAMPLE.) Per provisions of section 7 of the MOA, *BPA payments to the BEF are suspended* because BPA total premiums are less than \$250,000 for FY 2008. BPA payments to the BEF resume, based on provisions of section 6(b) of the MOA, once BPA total premiums again reach or exceed \$250,000 in any subsequent FY (within the effective term of the MOA).

**Exhibit C**  
**RENEWABLE RESOURCES**

**1. RENEWABLE RESOURCES**

Green Tags will be associated with energy generated at one or all of the following Renewable Resources:

**(a) Wind Projects**

<b>Project</b>	<b>Location</b>	<b>On line</b>	<b>Capacity (MW)</b>
Foote Creek I Wind	Carbon County, WY	4/99	15.3
Foote Creek II Wind	Carbon County, WY	10/99	1.8
Stateline Wind	Walla Walla County, WA & Umatilla County, OR	7/01	90.4
Condon Wind	Gilliam County, OR	12/01	49.8
Klondike Wind	Sherman County, OR	12/01	24

**(b) Hydro Projects with Installed Capacity Less Than 30 MW**

<b>Project</b>	<b>Location</b>	<b>On line</b>	<b>Capacity (MW)</b>	<b>Firm Energy (aMW)</b>
Big Cliff	Santiam River, OR	1954	18	11
Black Canyon	Payette River, ID	1925	10	8
Dexter	Willamette River, OR	1955	15	9
Foster	S. Santiam River, OR	1968	20	12
Idaho Falls (Upper, City and Lower Plants)	Snake River, ID	1982	27	17

**2. REVISIONS**

BPA may revise this exhibit for the purpose of keeping current with BPA's Renewable Resource portfolio.

**AGREEMENT**

**Between**

**THE UNITED STATES OF AMERICA,  
DEPARTMENT OF ENERGY**

**Acting by and through  
THE BONNEVILLE POWER ADMINISTRATOR**

**And**

**THE BONNEVILLE ENVIRONMENTAL FOUNDATION, INC.**

DISCUSSION DRAFT

## Attachment 10

This AGREEMENT (Agreement) is executed by the UNITED STATES OF AMERICA, Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATOR (Bonneville), and the BONNEVILLE ENVIRONMENTAL FOUNDATION, INC (Foundation), a corporation organized under the laws of the State of Oregon and qualified as a 501(c)(3) tax exempt entity within the meaning of the Internal Revenue Code.

### RECITALS

Whereas the Bonneville Power Administrator is the chief executive officer of Bonneville Power Administration (Bonneville), a federal power marketing agency authorized and charged by Congress, among other things: (A) to make maximum practicable use of Bonneville's authority to encourage the development of renewable resources (including direct application renewables), and other resources for service to its customers' regional loads including providing financial assistance for the development and implementation of such resources; (B) to promote the development of experimental, developmental, demonstration, or pilot projects with a potential for providing cost-effective service to the region; and (C) to develop such resources with due consideration for environmental quality, including the protection, mitigation, and enhancement of fish and wildlife habitat.

Whereas Bonneville has authority to contract, in such manner as the Administrator may deem necessary, to facilitate the execution of Bonneville's substantive responsibilities.

Whereas the Foundation, an Oregon corporation, is a tax exempt entity within the meaning of Section 501(c)(3) of the Internal Revenue Code that was created in 1998 to complement the programs of Bonneville under the Northwest Power Act (16 U.S.C. §§ 839 – 839h);

Whereas the Foundation is governed by an independent board of directors with a designated official assigned by Bonneville to serve as a Principal Liaison to the Foundation's board;

Whereas a group of environmental organizations, including the Northwest Energy Coalition, the Renewable Northwest Project, and the Natural Resources Defense Council, have participated with the Foundation and Bonneville over the past ten years in identifying and marketing electric power from environmentally preferred projects in the Pacific Northwest;

Whereas for the past ten years Bonneville and the Foundation have participated in mutually beneficial arrangements for the sale of Environmentally Preferred Power at a premium to market prices, which premium has been used to provide funding for the Foundation and funding for Bonneville's renewable resource programs;

Whereas because Bonneville has agreed to discontinue marketing an Environmentally Preferred Power product at the end of September 2011, the underlying market mechanism for Bonneville's support for Foundation activities is no longer available after that time;

Whereas Bonneville desires that the Foundation continue to seek out and act upon opportunities that complement Bonneville's programs in support of Bonneville's Mission with respect to renewable

## Attachment 10

resources, energy efficiency, demand management, fish and wildlife enhancements, watershed improvements, technology innovation, and potentially other activities;

Whereas the Foundation desires to continue to assist Bonneville by complementing Bonneville's programs in support of Bonneville's Mission; and

Whereas Bonneville and the Foundation desire to enter into a new, long-term Agreement to replace the existing agreement;

Draft  
CLASSIFIED  
Draft

Recitals.....iii

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Exhibit A: Arbitration Procedures

Exhibit B: Bonneville Environmental Foundation Articles of Incorporation

Exhibit C: Bonneville Environmental Foundation By-Laws

## Attachment 10

The Parties agree:

### 1. EFFECTIVE DATE

This Agreement takes effect on the date this Agreement has been executed by Bonneville and the Foundation (the "Effective Date").

### 2. TERMINATION OF EXISTING AGREEMENT

This Agreement supersedes and replaces Contract Number 09EO-40085 (the "Existing Agreement"). The Existing Agreement shall terminate on the Effective Date of this Agreement.

### 3. DEFINITIONS

Capitalized terms in this Agreement, including any exhibits, shall mean as follows:

- A. "Administrator" means the Administrator of Bonneville Power Administration (Bonneville).
- B. "Annual BPA Report" means the report prepared by the Foundation after the end of each Fiscal Year as described below in section 7.
- C. "Bonneville" means Bonneville Power Administrator acting on behalf of the United States of America, Department of Energy, and the Bonneville Power Administration.
- D. "Effective Date" means the date this agreement takes effect.
- E. "Existing Agreement" means the funding agreement between Bonneville and the Foundation known as Contract Number 09EO-40085.
- F. "Fiscal Year" means the Foundation's fiscal year, which currently begins on April 1. Fiscal Year 2010 is the Fiscal Year that ends in calendar year 2010.
- G. "Foundation" means the Bonneville Environmental Foundation, Inc.
- H. "Mission" means Bonneville's obligations under the Northwest Power Act, particularly Northwest Power Act section 2(1) (relating to encouragement of the development of renewable resources within the Pacific Northwest), section 6(e) (relating to renewable and conservation resources), section 6(d) (relating to research, development and demonstration projects), and section 4(e)(2) (relating to developing resources with due regard to environmental quality, including enhancing fish and wildlife habitat)—including but not limited to, promoting cost-effective conservation, renewable energy, and demand response resources; supporting development of technology (including demonstration projects) that may lead to cost-effective applications in the Region's electric power system; protecting and enhancing fish and wildlife and associated habitat—and under other legislation to provide power, transmission and other services and benefits to its customers and stakeholders.

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- I. "Northwest Power Act" means the Pacific Northwest Electric Power Planning and Conservation Act of 1980, P.L. 96-501, as amended.
- J. "Party" means (A) the United States of America, Department of Energy, acting by and through the Bonneville Power Administrator, or (B) the Foundation.
- K. "Power Plan" means the Regional plan promulgated from time to time by the Northwest Power and Conservation Council to guide the Administrator's electric power resource acquisitions as provided by the Northwest Power Act.
- L. "Region" or "Regional" means the geographic area defined as the "Pacific Northwest" in the Northwest Power Act.
- M. "Regional Customer" means any customer who Bonneville does business with under its statutory authority in Northwest Power Act sections 5(b), 5(c), or 5(d).

### 4. TERM

The term of this Agreement shall be ten years from the Effective Date, unless terminated by either Party pursuant to Section 5 of this Agreement. During the eighth year of the Agreement (no later than November 5, 2018), the Foundation shall have the right to request that the Agreement be extended for five years beyond the initial ten year term. Bonneville shall have sole discretion on whether to grant such extension, and shall decide whether to grant the extension within six months of the Foundation making the request. During such six-month timeframe, Bonneville shall take public input regarding the Foundation's request.

### 5. TERMINATION

- A. The Agreement may be terminated on five years notice by either Party for any reason.
- B. The Agreement may be terminated by Bonneville on two years written notice if Bonneville believes the Foundation is not adequately complementing Bonneville's programs in support of Bonneville's Mission.
  - i. In its notice, Bonneville must state the specific reasons why it believes the Foundation is not advancing Bonneville's programs and describe the actions Bonneville is asking the Foundation to take to correct any deficiency in the Foundation's performance.
  - ii. Upon receipt of a notice of termination, the Foundation shall have one year to cure Bonneville's specific objections.
  - iii. If the Foundation cures the deficiency to the satisfaction of Bonneville, the notice of termination shall be rescinded. Bonneville agrees that approval of any proffered cure shall not be unreasonably withheld.

- iv. If the Foundation does not address and cure Bonneville's objections within one year, the Agreement shall terminate on the two-year anniversary date of receipt of notice of termination unless Bonneville elects to withdraw the termination notice before the two year period expires.

## **6. PAYMENTS TO THE FOUNDATION**

### **A. Use of Bonneville Funding by the Foundation**

- i. The Foundation agrees to use funds provided by Bonneville to complement Bonneville's programs in support of Bonneville's Mission.
- ii. For purposes of this Agreement, the Foundation's use of funds includes, but is not limited to:
  1. increasing the potential supply of cost-effective regional renewable resources potentially available to Bonneville and its customers for acquisition should they choose to do so;
  2. taking action to increase the potential supply of cost-effective, conservation, renewable, or demand response resources available to serve the electric power needs of the Pacific Northwest.
  3. furthering technological innovation goals (including demonstration projects) relating to electric power conservation, demand management, and renewable resources;
  4. supporting Regional watershed improvements that further Bonneville's Regional efforts to maintain, restore, and enhance fish and wildlife and associated habitat;
  5. educating members of the general public on the benefits of renewable resources, reducing greenhouse gases emissions, and improving Pacific Northwest fish and wildlife resources and habitat; and
  6. supporting other aspects of the Bonneville Mission as may be agreed upon by Bonneville and the Foundation.
- iii. **Limitations on Transfer of Bonneville Funding to BEF Renewable, Inc.**

Funds provided by Bonneville under this Agreement may be transferred to the Foundation's wholly-owned subsidiary, BEF Renewable, Inc., for purposes described in Section 6(A)(ii) above, subject to the following conditions:

  - 1.. The Foundation may perform such transfer of funds provided that:
    - a. BEF Renewable, Inc. is wholly owned by the Foundation;
    - b. such funds are used in support of BEF Renewable, Inc. projects and activities located in the service territories of Bonneville's Regional Customers; and
    - c. such funds must be necessary in order for BEF Renewable Inc. to take advantage of tax credits or other beneficial public financial instruments arising from

projects that BEF Renewable Inc. would not otherwise be able to fund but for the use of Bonneville funds.

2. In the event the Foundation sells all or part of its interest in BEF Renewable, Inc. or any assets owned by BEF Renewable, Inc. for which Bonneville funding was used, the revenues realized from such a sale, up to the amount of such Bonneville-sourced funding, shall be required to be transferred back to the Foundation and restricted within the Foundation to be used for the purposes described under this Agreement.

## **B. Annual Payments**

- i. Bonneville shall make an Annual Payment to the Foundation each year.
- ii. With regard to funds that have been transferred but remain unobligated by the Foundation, the Foundation may carry-over such funds from one Fiscal Year to the next, up to a cap of \$250,000, beginning Fiscal Year 2012. The total balance of carried-over funds (from all Fiscal Years combined) may not exceed this amount.
- iii. At least 80 percent of the Annual Payment shall be directed towards activities listed in 6(A) above. Any remaining funds may be directed towards general and administrative expenses which jointly support BEF in general, and this Agreement in particular.
- iv. The Annual Payment for Fiscal Year 2010 is \$1.3 million.
- v. The Annual Payment for each subsequent Fiscal Year shall be adjusted, provided such adjustment is positive, over the previous Fiscal Year's level by the annual change in the United States Department of Labor, Bureau of Labor Statistics' "Consumer Price Index - All Urban Consumers West Region All Items" or its successor. Available at: <http://data.bls.gov/cgi-bin/surveymost?cu>
- vi. If the Administrator certifies in a letter to the Foundation that Bonneville is experiencing a financial crisis as evidenced by a failure to achieve net revenue targets, a need for a significant increase in rates, low reserves, or other financial stress that leads the Administrator to seek a broad reduction in program costs not funded under this Agreement, Bonneville may reduce the Annual Payment by as much as 25% for up to one year on six months notice. The reduction shall continue for as long as the financial crisis exists, but in any case not longer than two years, at which time funding shall be restored to normal levels (including appropriate adjustments for inflation) for at least two years before another reduction in Annual Payments may occur.

## Attachment 10

- vii. On the first day of each Fiscal Year Bonneville shall pay the Foundation an amount equal to one-fourth of the Annual Payment for that Fiscal Year.
- viii. Bonneville shall pay an additional one-fourth of the Annual Payment for that Fiscal Year on the first day of each subsequent quarter of that Fiscal Year.
- ix. The Foundation shall return to Bonneville any unspent and/or carried-over funds remaining upon Termination of the Agreement or upon the end of the term of the Agreement (after 10 years if the Agreement is not extended, or after 15 years if it is).

### **7. ANNUAL BPA REPORT**

- A. Within 90 days of the end of the Fiscal Year, the Foundation shall prepare a draft “Annual BPA Report” and provide Bonneville with a copy. The Annual BPA Report shall set forth all activities the Foundation engaged in over the past Fiscal Year to complement Bonneville’s programs in support of its Mission, including the development of renewable resources (including direct application renewables), energy efficiency, demonstration projects, and where applicable an estimate of the amount of electric power generated or saved as a result of the Foundation’s activities. The Annual BPA Report shall identify how specific projects and activities are supported by funds provided to the Foundation under this Agreement, itemize the Foundation’s expenditures of such funds for current projects and activities, including the Foundation’s general and administrative expenses, and describe any future projects and activities and the amount of Bonneville funds that have been obligated for expenditure, as well as the proposed use of funds that have been transferred to the Foundation but remain unobligated for expenditure by the Foundation (i.e., the “carry-over” funds described in section 6.B.ii.).
- B. Bonneville may:
  - i. Accept the draft Annual BPA Report as submitted without objection;
  - ii. Take an exception to all or a portion of the Annual BPA Report and provide the Foundation with an opportunity to respond to Bonneville’s objections; and
  - iii. Recommend changes to the proposed Annual BPA Report, if any.
- C. No earlier than 30 days after receiving comments from Bonneville, the Foundation may adopt an Annual BPA Report for the past Fiscal Year, taking into account comments it receives from Bonneville, if any.

### **8. BONNEVILLE DESIGNATION OF PRINCIPAL LIAISON TO FOUNDATION BOARD**

Bonneville may designate an official to serve as its Principal Liaison to the Foundation board. The Principal Liaison shall represent Bonneville’s interests and will have no vote on the Foundation board and no fiduciary duty to the Foundation.

## Attachment 10

Bonneville initially designates its Chief Operating Officer to serve as Bonneville's Principal Liaison to the Foundation's board.

### **9. BONNEVILLE DESIGNATION OF STAFF LIAISON**

Bonneville may designate an official to serve as a Staff Liaison to the Foundation. The Staff Liaison shall assist the Principal Liaison in representing Bonneville's interests and will have no vote on the Foundation board and no fiduciary duty to the Foundation.

Bonneville initially designates its Chief Technology Innovation Officer to serve as Staff Liaison to the Foundation.

### **10. ANNUAL INDEPENDENT AUDIT**

The Foundation shall retain an independent auditor to prepare an annual audit in accordance with generally accepted accounting principles and provide Bonneville with a copy.

### **11. FIVE YEAR REVIEW**

Bonneville and the Foundation will perform a joint review of this Agreement every five years to confirm that the Agreement is serving both party's interests and to modify the Agreement by mutual consent as necessary or desired by both parties to reflect then current conditions and policies.

### **12. NOTICE OF PROPOSED AMENDMENTS TO BYLAWS OR ARTICLES OF INCORPORATION**

The Foundation shall advise Bonneville of any proposed amendments to its bylaws or articles of incorporation with at least 30 days notice and provide an opportunity for Bonneville to comment on any proposed amendments.

### **13. NOTICES**

- A. Any notice required under this Agreement shall be in writing and shall be delivered: (a) in person; (b) by a nationally recognized delivery service; or (c) by United States Certified Mail.
- B. Notices are effective when received.
- C. Either Party may change its address or its designated representative for notices by giving notice of such change consistent with this section.
- D. Notice shall be given:

If to the Foundation to:

Margie Gardner, Chief Executive Officer

## Attachment 10

Bonneville Environmental Foundation  
Portland, Oregon 97204  
503-248-1905  
Fax 503-248-1908  
margiegardner@bef.org

If to Bonneville to:

Terry Oliver, Chief Technology Innovation Officer  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208-3621  
503-230-5853  
Fax 503-230-4456  
tvoliver@bpa.gov

### 14. GOVERNING LAW AND DISPUTE RESOLUTION

#### A. Governing Law

This Agreement shall be interpreted consistent with and governed by federal law.

Except as otherwise provided in this Section 15, the Parties agree to resolve any dispute arising under this Agreement according to the binding arbitration procedures attached to this Agreement as Exhibit B.

The Foundation and Bonneville shall identify issue(s) in dispute arising out of this Agreement and make a good faith effort to negotiate a resolution of such disputes before either may initiate litigation or arbitration. Such good faith effort shall include discussions or negotiations between the Parties' executives.

Pending resolution of a contract dispute or contract issue between the Parties or through formal dispute resolution of a contract dispute arising out of this Agreement, the Parties shall continue performance under this Agreement unless to do so would be impossible or impracticable.

Unless the Parties engage in binding arbitration as provided for in this Section 15 and Exhibit B, the Parties reserve their rights to individually seek judicial resolution of any dispute arising under this Agreement.

#### B. Judicial Resolution

Final actions subject to Section 9(e) of the Northwest Power Act are not subject to arbitration under this Agreement and shall remain within the exclusive jurisdiction of the United States Court of Appeals for the Ninth Circuit. Such final actions include, but are not limited to, the establishment and the implementation of rates and rate methodologies. Any dispute regarding any rights or obligations

## Attachment 10

of the Foundation or Bonneville under any rate or rate methodology, or Bonneville policy, including the implementation of such policy, shall not be subject to arbitration under this Agreement.

For purposes of this section 15 and Exhibit B, "Bonneville policy" means any written document adopted by Bonneville as a final action in a decision record or record of decision that establishes a policy of general application or makes a determination under an applicable statute or regulation.

If Bonneville determines that a dispute is excluded from arbitration under this Section 15, then the Foundation may apply to the federal court having jurisdiction for an order determining whether such dispute is subject to nonbinding arbitration under Exhibit B.

### **15. STANDARD PROVISIONS**

#### **A. Amendments**

Except where this Agreement explicitly allows for one Party to unilaterally amend a provision or exhibit, no amendment of this Agreement shall be of any force or effect unless set forth in writing and signed by authorized representatives of each Party.

#### **B. Assignment**

This Agreement is binding on any successors and assigns of the Parties.

Neither Party may otherwise transfer or assign this Agreement, in whole or in part, without the other Party's written consent. Such consent shall not be unreasonably withheld.

#### **C. Information Exchange and Confidentiality**

The Parties shall provide each other with any information that is reasonably required, and requested by either Party in writing, to administer this Agreement.

Such information shall be provided in a timely manner. Information may be exchanged by any means agreed to by the Parties.

Bonneville may use such information as necessary to perform its obligations under this Agreement.

Before the Foundation provides information to Bonneville that is confidential, or is otherwise subject to a privilege or nondisclosure, the Foundation shall clearly designate such information as confidential. Bonneville shall notify the Foundation as soon as practicable of any request received under the Freedom of Information Act (FOIA), or under any other federal law or court or administrative order, for any confidential information. Bonneville shall only release such confidential information to comply with FOIA or if required by any other federal law or court or administrative order.

## Attachment 10

Bonneville shall limit the use and dissemination of confidential information within Bonneville to employees who need it for purposes of administering this Agreement.

### **D. Entire Agreement**

Exhibits A, B, and C are hereby incorporated as part of this Agreement.

This Agreement, including documents expressly incorporated by reference, constitutes the entire agreement between the Parties with respect to the subject matter of this Agreement.

It supersedes all previous communications, representations, or contracts, either written or oral, which purport to describe or embody the subject matter of this Agreement.

The body of this Agreement shall prevail over the Exhibits to this Agreement in the event of a conflict.

### **E. Exhibits**

The exhibits listed in the table of contents are incorporated into this Agreement by reference. The body of this Agreement shall prevail over an Exhibit to this Agreement in the event of a conflict.

### **F. No Third-Party Beneficiaries**

This Agreement is made and entered into for the sole protection and legal benefit of the Parties, and no other person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with this Agreement.

### **G. Waivers**

No waiver of any provision or breach of this Agreement shall be effective unless such waiver is in writing and signed by the waiving Party, and any such waiver shall not be deemed a waiver of any other provision of this Agreement or of any other breach of this Agreement.

### **H. Severability**

If any term of this Agreement is found to be invalid by a court of competent jurisdiction then such term shall remain in force to the maximum extent permitted by law.

All other terms shall remain in force unless that term is determined by a court of competent jurisdiction not to be severable from all other provisions of this Agreement by such court.

Attachment 10

**16. SIGNATURES**

The signatories represent that they are authorized to enter into this Agreement on behalf of the Party for whom they sign.

For the UNITED STATES OF AMERICA, DEPARTMENT OF ENERGY, ACTING BY AND THROUGH THE BONNEVILLE POWER ADMINISTATOR

\_\_\_\_\_  
Stephen J. Wright  
Administrator and Chief Executive Officer  
Bonneville Power Administration

\_\_\_\_\_  
Date

For the BONNEVILLE ENVIRONMENTAL FOUNDATION, INC.

\_\_\_\_\_  
Margie Gardner  
Chief Executive Officer  
Bonneville Environmental Foundation, Inc.

\_\_\_\_\_  
Date

DISCUSSION DRAFT

## Attachment 10

### Exhibit A

#### Initiation of Arbitration Process

Any contract dispute or contract issue between the Parties arising out of this Agreement, which is not excluded from arbitration by section 15 of this Agreement, shall be subject to arbitration, as set forth below.

The Foundation may request that Bonneville engage in binding arbitration to resolve any dispute arising under this Agreement.

If the Foundation requests such binding arbitration and Bonneville determines in its sole discretion that binding arbitration of the dispute is appropriate under Bonneville's Binding Arbitration Policy or its successor, then Bonneville shall engage in such binding arbitration, provided that the remaining requirements of this Exhibit B are met.

Bonneville may request that the Foundation engage in binding arbitration to resolve any dispute.

In response to Bonneville's request, the Foundation may agree to binding arbitration of such dispute, provided that the remaining requirements of Section 15 are met. Before initiating binding arbitration, the Parties shall draft and sign an agreement to engage in binding arbitration, which shall set forth the precise issue in dispute, the amount in controversy and the maximum monetary award allowed, pursuant to Bonneville's Binding Arbitration Policy or its successor.

Nonbinding arbitration shall be used to resolve any dispute arising out of this contract that is not excluded by section 15 above and is not resolved via binding arbitration, unless the Foundation notifies Bonneville that it does not wish to proceed with nonbinding arbitration.

#### Arbitration Procedure

Any arbitration shall take place in Portland, Oregon, unless the Parties agree otherwise. The Parties agree that a fundamental purpose for arbitration is the expedient resolution of disputes; therefore, the Parties shall make best efforts to resolve an arbitrable dispute within one year of initiating arbitration. The rules for arbitration shall be agreed to by the Parties.

#### Remedies

The payment of monies shall be the exclusive remedy available in any arbitration proceeding between the Parties.

This shall not be interpreted to preclude the Parties from agreeing to limit the object of arbitration to a determination of facts.

Under no circumstances shall specific performance be an available remedy against Bonneville.

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### **Finality**

In a binding arbitration, the arbitration award shall be final and binding on the Parties, except that either Party may seek judicial review based upon any of the grounds referred to in the Federal Arbitration Act, 9 U.S.C. §1-16 (1988). Judgment upon the award rendered by the arbitrator(s) may be entered by any court having jurisdiction thereof.

In nonbinding arbitration, the arbitration award is not binding on the Parties. Each Party shall notify the other Party within 30 calendar days, or such other time as the Parties otherwise agreed to, whether it accepts or rejects the arbitration award. Subsequent to nonbinding arbitration, if either Party rejects the arbitration award, either Party may seek judicial resolution of the dispute, provided that such suit is brought no later than one year after the date the arbitration award was issued.

### **Costs**

Each Party shall be responsible for its own costs of arbitration, including legal fees.

Unless otherwise agreed to by the Parties, the arbitrator(s) may apportion all other costs of arbitration between the Parties in such manner as the arbitrator(s) deems reasonable taking into account the circumstances of the case, the conduct of the Parties during the proceeding, and the result of the arbitration.

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**Exhibit B:**

**Bonneville Environmental Foundation Articles of Incorporation**

*Miscellaneous Draft*

Attachment 10

**Exhibit C:**

**Bonneville Environmental Foundation By-Laws**

Discussion Draft

# The Water Report™

*Water Rights, Water Quality & Water Solutions in the West*

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## WATER RESTORATION CERTIFICATES

VOLUNTARY, MARKET-BASED FLOW RESTORATION

by Todd Reeve & Rob Harmon, Bonneville Environmental Foundation (Portland OR)

### INTRODUCTION

Across the American West, thousands of miles of streams are chronically dewatered as a result of legal withdrawal of surface water to serve out-of-stream beneficial uses. Efforts are underway in many western states to support voluntary, market-based approaches to restore environmental flows to dewatered streams, rivers, and wetlands. However, funding available to support this work is not presently equal to the scale of the task. As one solution, the Bonneville Environmental Foundation (BEF) has launched the Water Restoration Certificate Program, which is the first nationally marketed, voluntary environmental flow restoration program. BEF provides a collaborative and innovative solution that promises to build a bridge between private sector urban water users and environmental flow restoration needs in the rural West.

### BACKGROUND

#### CRITICALLY DEWATERED ECOSYSTEMS

Throughout the late 19th and early 20th century, rights to divert and use water were allocated among individuals, corporations, and municipalities that possessed the ability to divert water and put it to beneficial use. In a few very select cases, water rights appropriation did include provisions to protect streams from dewatering — for example to preserve waterfalls and lake levels at iconic recreation sites (Neuman and Chapman 1999; Scarborough 2010). However, undiverted water was generally considered wasteful. Historical appropriation of water rights did not include the use of water to support fish, wildlife, water quality, or recreation as a legitimate beneficial use with rare exceptions (Scarborough 2010). As a result, the surface water available in western rivers and streams was often fully or over appropriated in an effort to support human settlement and economic growth across the West. [Editor's Note: "Over appropriated" is a term of art in water law that basically means it has been determined by the governing agency that a stream has no additional water for new water rights (in accordance with the particular state standards) due to existing water rights that have already been granted. Each state has different standards that are applied to determine if a stream is over appropriated. Likewise, if a stream is "fully appropriated" then no additional water is deemed to be available for new rights.]

The result of this full-to-over appropriation of water rights is well documented. There are today thousands of miles of rivers, streams, and adjacent wetlands where legal diversion of water results in chronically and critically dewatered ecosystems. Many western river systems that historically flowed year-round, for example, now suffer from chronic low flows — or even go dry — during part of the year. In Montana alone, chronic or periodic dewatering occurs on over 4,000 miles of streams across 381 different river or stream systems (MFWP 2006). The ecological harm resulting from this hydrologic modification is manifold. In many locations throughout the West, chronic low flows exacerbate water quality issues; severely restrict the movement and productivity of fisheries and wildlife populations; reduce the vigor and function of riparian communities; and limit human recreational opportunities.

## Restoration Certificates

## Restoration Options

## Water Trusts

## Restoration Mechanisms

### The Water Report

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Editors: David Light  
David Moon

Phone: 541/343-8504

Cellular: 541/517-3608

Fax: 541/683-8279

email:

thewaterreport@yahoo.com

website:

www.TheWaterReport.com

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## SOLUTIONS

Over the last several decades, society has begun to acknowledge and assess the negative economic, environmental, and social consequences of widespread dewatering of streams and wetlands (Neuman and Chapman 1999; MDNRC 2001; CBWTP 2009). As government agencies, the private sector, and non-governmental organizations (NGOs) grappled with how to restore flows to the levels needed to support aquatic life and ecological function, the options available to accomplish this goal generally fell into two categories — one administrative and the other voluntary and incentive-based (Aylward 2009).

INSTREAM FLOW RESTORATION OPTIONS INCLUDE:

- ADMINISTRATIVE REALLOCATION OF WATER RIGHTS — where a governing body takes back, reassigns, or restricts water rights to meet environmental needs
- VOLUNTARY REALLOCATION OF WATER RIGHTS — where a governing body provides an enabling framework for a market-based transfer process in which water rights holders voluntarily reallocate water use in response to legal, economic, or other incentives

Over time, several states responded with progressive legislation that codified the processes necessary to transfer and protect existing water rights to serve environmental purposes. On the heels of enabling statutes or legislation, water trust organizations across the West emerged and began to explore voluntary mechanisms to restore and protect environmental flows in dewatered ecosystems (see Furey & Purkey, *TWR #2*; Paulus, *TWR #43*; Beatie, *TWR #66*).

In 1994, the Oregon Water Trust (OWT) emerged as the first such organization dedicated to the voluntary acquisition of water rights for purposes of restoring instream flow. OWT is now part of The Freshwater Trust, having joined with Oregon Trout to form the new organization in 2009. The water trust movement quickly spread with groups such as the Washington Water Trust, Deschutes River Conservancy, Colorado Water Trust, and Montana Water Trust incorporating between 1996 and 2002. Over the past decade, new water trusts and agency programs have emerged, and several existing environmental organizations have developed programs to address environmental flow needs. Today, voluntary transactions to improve environmental flows have been implemented in the majority of western states (Searborough 2010).

Environmental flow solutions may involve either diverting the water off the stream and directing it into an adjacent dewatered ecosystem, or simply leaving and protecting water flows instream. With the advent of water trusts and society's growing interest in improving environmental flows, a wide range of unique mechanisms to restore water to dewatered ecosystems has been developed, tested, and refined.

FLOW RESTORATION MECHANISMS INCLUDE THE FOLLOWING:

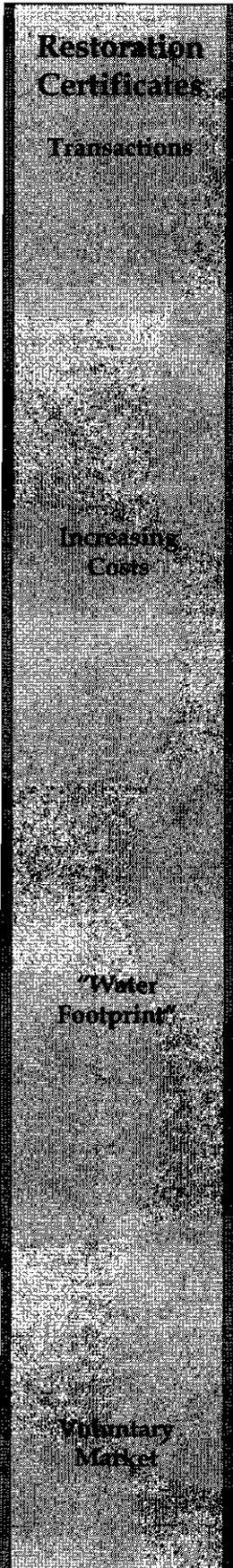
- Increase or change the timing of water released from reservoirs
- Change the point at which water is diverted from the stream to a point further downstream
- Substitute a groundwater source for surface water sources during low flow periods
- Improve delivery efficiency through lining or piping of ditches
- Reduce water diversions through better water distribution
- Improve on-farm use efficiency through improved sprinklers, drip irrigation, or other means (from Aylward 2009)

The options noted above — except for increasing water released from a reservoir — allow for a reduction in the amount of water diverted *without* a corresponding decrease in crop production. However, these methods do not reduce the amount of water consumed (by crops or livestock). Accordingly, these methods typically can only restore flows immediately downstream to the point at which unconsumed water would have returned to the stream system. In other words, efficiency improvements may have resulted in smaller amounts of water being diverted but such changes also result in eliminating the "return flows" that historically returned to a stream (i.e. water not consumed by the crops or livestock). For this reason, the reallocation of water rights, where an existing water use is transferred to a new instream use, has emerged as a preferred method of restoring flows in many western basins.

WATER RIGHT TRANSFERS TO ENABLE ENVIRONMENTAL BENEFITS MAY ENTAIL:

- Fallowing land
- Switching to low-water use crops
- Reducing the amount of water made available for irrigation
- Shortening the period of irrigation
- Ceasing irrigation

Water rights holders must consider whether personal circumstances and market-based incentives warrant taking any of these actions.



Although there is much variation among western states, a recent review of instream transfer records from state, federal, and private entities indicates substantial interest on the part of western water rights holders in using water rights in new, different, and flexible ways that benefit environmental flows. From 1987-2007 more than 2,800 instream transactions were completed, restoring over 10 million acre-feet of water (Scarborough 2010). The water trust movement continues to thrive and grow. Indications are that there are ever-increasing opportunities to work with willing water rights holders and apply market incentives to achieve substantial improvements in environmental flows (Brewer et. al. 2007).

It is clear that a voluntary, market-based approach to restore environmental flow has great potential to improve ecological function in dewatered ecosystems across the West. Moreover, as a result of both historic and ongoing research, scientists and environmental organizations have significant knowledge about where and when water is critically needed. Some states have acted to pass statutes and institutionalize processes to facilitate and protect instream transfers. Environmental flow restoration mechanisms have been successfully developed and tested. Perhaps most importantly, results show that water rights holders are responding to economic incentives by voluntarily reallocating water rights for ecosystem benefit.

### Funding Challenges

While the water trust movement began with the promise of market-based acquisition of water rights to restore streamflow, the primary funding mechanism to support flow restoration work to date has come from governmental regulatory or mitigation program funding. These public funds are typically utilized to buy water rights and/or pay for efficiency upgrades. Philanthropic, corporate, and individual contributions also play a part, but these funds are often far less than the overall cost of the water necessary to restore adequate streamflow for any given project. Hence, these private resources tend to be used for start-up or ancillary programmatic purposes (Aylward 2009).

Consistent predictions concerning future climate change, population growth, urban development, and associated water scarcity strongly suggest that competition and costs for water will only increase over time. Cost increases will amplify the challenges associated with restoring environmental flows on a meaningful scale across the American West. With thousands of miles of streams and adjacent wetlands in critical need of water, relying largely on limited mitigation and government funding to restore dewatered ecosystems is not likely to produce the necessary changes on a significant scale.

### A Voluntary Market-based Solution

In 2008, the Bonneville Environmental Foundation (BEF) began exploring whether a true voluntary, market-based approach could provide a significant, stable funding source to support environmental flow projects across a range of western states.

For the past eight years, BEF has operated a non-profit business, selling Renewable Energy Certificates (RECs) and carbon offsets to residential, corporate, and utility customers across North America. BEF's business interactions with "green" companies, corporate sustainability officers, and myriad trade organizations demonstrated the broad interest across society to reduce the "water footprint" associated with operational consumption of water. Water conservation remains an essential way to address this issue, however, our experience suggested that many progressive companies also seek methods to account for all institutional water use (for example, the residual water use that occurs even after extensive conservation practices are put into place). In some cases this motivation stems from an innate organizational commitment to sustainability and the environment. In other cases, companies seek to brand their product and build market share around environmental sustainability. Upon review, there did not appear to be any means by which progressive institutions or individuals could match their water use with an equal amount of water restored to the environment. In this, BEF saw an opportunity.

## THE WATER RESTORATION CERTIFICATE

### The Concept

In 2009, BEF developed the Water Restoration Certificate™ (WRC) and with it, launched the first nationally marketed, voluntary environmental flow restoration program. The WRC program is built on the premise that private enterprise and the voluntary market can solve large-scale environmental challenges when society is empowered to both understand and directly address environmental challenges. WRCs offer an innovative, market-based solution that provides a measurable and effective way for companies and individuals to take responsibility for their water use.

**Restoration  
Certificates**

**How It Works**

Each WRC produced by BEF represents 1,000 gallons of water that is restored to a critically dewatered river, stream, or wetland during a critical time of year. BEF contracts with water trust organizations and provides funding to implement environmental flow restoration projects in areas of critical need. The water restored through each BEF-funded project is measured, and ultimately this quantified amount of restored water forms the basis of the WRC "inventory." BEF then sells WRCs to residential and institutional customers that convey the right to claim responsibility for restoring a specific amount of environmental flow.

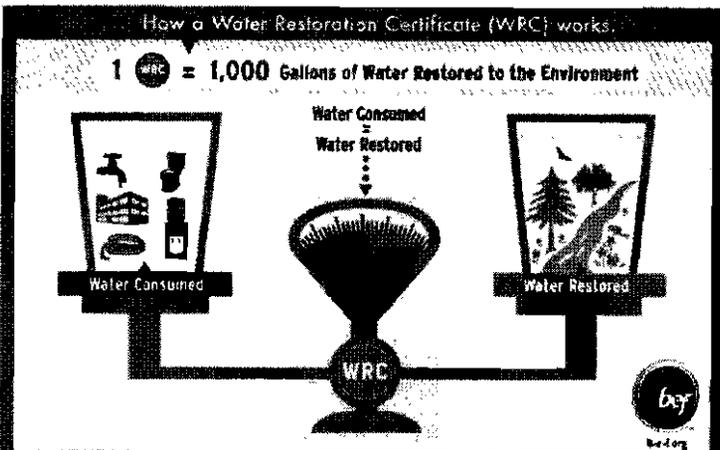
**HOW IT WORKS**

- Each WRC represents 1,000 gallons of water that BEF will return to critically dewatered streams through supply contracts with local Water Trusts.
- Individuals and businesses purchasing a WRC are ensured that 1000 gallons of water will stay in a stream that needs them.
- The landowner with the water right can leave that 1000 gallons in the stream and still maintain the water right.
- The standards and criteria for each WRC project are certified and endorsed by the National Fish & Wildlife Foundation to ensure that water is returned at a time and place that will produce real environmental benefits.
- BEF Water Restoration Certificates are numbered in an online registry and independently audited to make sure that the water is never double counted.
- BEF's WRCs are the first and only water restoration solution that is certified, standardized, inventoried and ready to buy.

BEF uses its website and its sales and marketing teams to approach corporations, businesses, and individuals and offer a product (i.e., the WRC) that restores to the environment an amount of water equal to a business' or individual's use of water. As customers from the private sector commit to buy WRCs, BEF utilizes the retained earnings from this sales revenue to support water trust partners in creating the next phase of environmental flow projects.

**Program Criteria and Project Review**

Establishing very high project standards is fundamental to the success of the WRC program. Project standards and rigorous screening must assure that each WRC-funded project produces the environmental gains desired by (and promised to) WRC customers. In addition, with a market-based approach, there is every possibility that for-profit entities could seek to profit from a WRC-like program that relies on sales sourced from low cost environmental flow projects that produce little environmental benefit. Such low-cost, low benefit projects, for example, might seek to secure junior water rights or augment environmental flows during high flow periods or in river reaches that are not flow-limited. Accordingly, it is imperative that a high environmental standard be set to guide any and all future activity in an environmental flow marketplace.



**Rigorous  
Criteria**

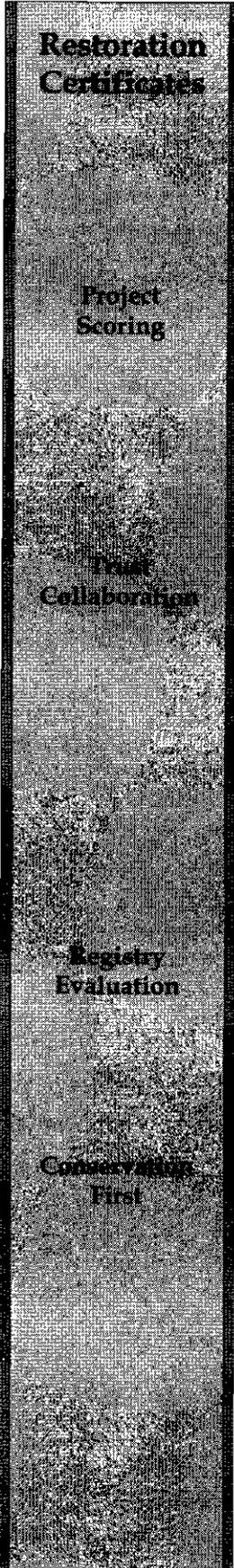
As a result, establishing rigorous program criteria was the first and most critical step in designing the WRC program. To accomplish this, BEF contracted with the National Fish & Wildlife Foundation (NFWF) to develop environmental criteria and establish a selection process for projects that would restore environmental flows to serve as the basis for WRC inventory. NFWF is a nonprofit established by Congress in 1984. Among other programs, NFWF manages the Columbia Basin Water Transactions Program supporting innovative, voluntary transactions to improve streamflows in the Columbia Basin states of Idaho, Montana, Oregon, and Washington. NFWF is an authority on western environmental flow restoration, overseeing more than 23,000 acre feet of environmental flow restoration (176 cubic feet per second (cfs)) across 285 stream miles in 2009 alone.

The WRC project criteria are certified by NFWF and are derived from criteria approved by the Independent Scientific Review Panel used by the Bonneville Power Administration in the administration of the Columbia Basin Water Transactions Program (see [www.cbwtp.org/](http://www.cbwtp.org/)).

**EXAMPLES OF KEY WRC CRITERIA INCLUDE THE FOLLOWING:**

- The water rights to be secured as environmental flow must be valid and verifiable. The environmental flows associated with these rights must be either: a) protected instream under state water rights law; or b) be secured under a legally enforceable contract or agreement.
- Environmental flow in the stream reach(es) or area(s) addressed by the project must be identified as a limiting factor for fish and wildlife, biodiversity, and/or ecosystem function in a publicly-available, scientifically credible assessment, study or plan.
- Environmental flow must be secured and/or protected at both a location and time of year where low flows are a limiting factor for fish and wildlife, biodiversity, and/or ecosystem function.

**Key Criteria**



- The water rights associated with the project must be either: a) of significant seniority that they will be protected instream during critical low flow periods; or b) will be secured and/or protected instream regardless of priority date.
- The quantity of environmental flow proposed for protection must be in addition to existing flows for fish and wildlife in the targeted reach or area.
- The project must not result from a barrier, impoundment, or structure that: a) limits fish passage (up or downstream); b) substantially impedes natural hydrological processes; or c) degrades water quality.

**Project Review Process**

To create a WRC, BEF first works with a water trust or similar organization to identify a suitable environmental flow project that meets the NFWF certification criteria. Where requested by BEF, water trust organizations develop and submit environmental flow project proposals using an NFWF online form and database for review. Key NFWF staff (with high-level expertise in the environmental flow arena) evaluate and score transaction proposals for funding based on the extent to which the proposals satisfy the established criteria. If proposals are approved and all applicable contracts with water rights holders and agency approvals are signed and received by NFWF, then a final approval for the environmental flow project is issued.

**Contracting with a Water Trust Organization**

Once approved, BEF establishes a contract with a water trust organization in which BEF agrees to provide funding to support: a) project development costs; b) project implementation costs (including payment to water rights holders); and c) project monitoring costs for the duration of the project. In return, the water trust agrees to complete the following:

- Implement the environmental flow project and facilitate agency approval of a state leasing or transfer process (as applicable)
- Conduct/oversee monitoring of environmental flow compliance
- Produce an end-of-year report and signed attestation that include monitoring data for the project and document a minimum volume of environmental flow restored by the project over the course of the year
- Transfer to BEF the rights to claim:
  - a) to have funded 100% of the environmental flows resulting from the project
  - b) credit for any environmental benefits that occur as a result of restored environmental flows

**Registry and WRC Generation**

Once the funded project is complete and the water trust submits an attestation and monitoring report, BEF provides all project documentation to the Market Environmental Registry — an international environmental registry (see: [www.markit.com/en/products/registry/markit-environmental-registry.page](http://www.markit.com/en/products/registry/markit-environmental-registry.page)).

At this stage, the registry performs a third party evaluation of the submitted documents, serializes each WRC, and “posts” the new WRC inventory generated to the registry. The registry’s system then catalogs, tracks, and accounts for each and every WRC created and sold in any given year.

**Sales, Conservation, and Retirement**

The goal of the WRC program is to promote sustainable use of water and to restore environmental flows in critically dewatered areas. As such, BEF first encourages water conservation among all WRC customers. As an example of this, water conservation devices such as low flow showerheads and aerators are included in the purchase price of all WRCs purchased on the BEF website. In addition, a wide range of water saving tips are integrated into the website content. For corporate customers, BEF maintains a list of water efficiency and conservation consultants, and we are prepared to engage corporate partners in broad water conservation efforts as a part of WRC purchases.

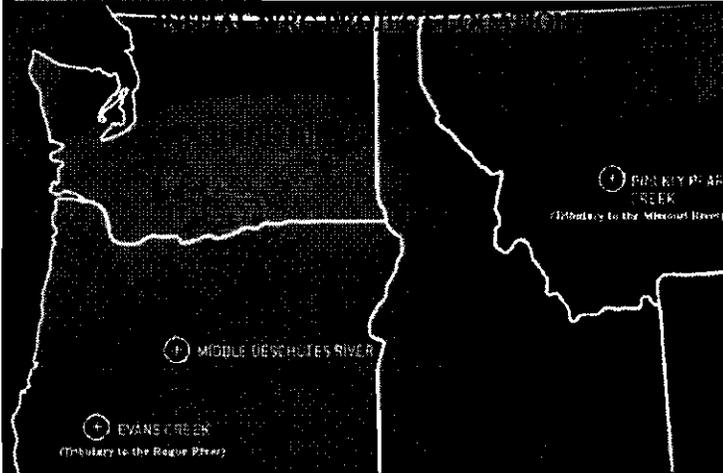
Once a WRC is sold to a customer, it is retired from use — meaning that it cannot be resold or used in any trading or mitigation program. In addition, in order to avoid any customer using a purchase of WRCs to justify further water use that could result in natural resource degradation, the WRC sales contracts specify that buyers will not use a WRC purchase in any attempt to establish new, or modify existing, rights for consumptive use of water.

Finally, an independent audit firm reviews all WRC transactions annually to make sure that WRC inventory and delivery systems are accounted for and that water returned to the ecosystem is never double counted.

Restoration  
Certification

Project Locations

During BEF's decade-long experience working in the watershed restoration arena, we have established strong relationships with many water trusts working across the West. Building on these relationships, BEF



worked closely with select organizations to identify and fund suitable projects that could serve as WRC inventory. In the program's first year, BEF funded three environmental flow projects (in advance of any WRC sales) to serve as baseline WRC inventory. Funded project locations included: the middle Deschutes River in Oregon; tributaries to the upper Missouri River in Montana; and tributaries to the Rogue River in Oregon. The Clark Fork Coalition, the Deschutes River Conservancy, and The Freshwater Trust are the water trust organizations that oversaw and managed every aspect of the environmental flow restoration projects.

These initial projects represent a first phase of WRC inventory development, and it is BEF's expectation that we will add projects in additional locations and states in the next one-to-two years. To date, BEF has supported only environmental flow projects that increase critically low stream flows. Future WRC inventory will likely include projects that restore water to dewatered wetland areas.



Customer Awareness

Interestingly, the extent of dewatering of western streams may not be widely understood by the general public. Because many stream systems have been dewatered for over 100 years and water withdrawal locations are often not visible from public access points, it is conceivable that multiple generations have grown up unaware that human diversion and use of water is a large contributor to low flow conditions in many rivers and streams. Upon first learning of the WRC program, for example, many prospective WRC customers express surprise at the pervasiveness of dewatering. BEF expects to use the WRC program to increase awareness about the extent and ecological effects of dewatering. Over time, we hope that increased public awareness will lead to conservation measures and the creation of new state statutes that allow water rights holders to efficiently and voluntarily reallocate water to mitigate chronic low flow conditions.



WRC Project Goals

As noted, BEF's WRC program provides an innovative, market-based approach to a chronic and extensive western issue — i.e., the dewatering of streams, rivers, and wetlands by legal withdrawal of surface water. The program utilizes WRCs as a tool to engage residential and institutional customers in solutions that restore environmental flows. For the first time, this program connects water users anywhere with a mechanism that can restore water to the places that are in need of environmental flow restoration. Municipal water users seeking sustainable methods to account for their own water use can restore an amount of water equal to their own use through a WRC purchase. Significantly, the WRC program does not strive to restore flows only in watersheds from which customers draw their water — rather BEF supports projects where there is a clearly defined ecological need for flow restoration.

**Todd Reeve is Vice President for Watershed Programs at BEF.** Since 1992, Todd has undertaken watershed restoration efforts throughout the Pacific Northwest. He has worked for the US Forest Service, the Oregon Department of Fish and Wildlife, EPA, and private consulting firms. Since 2000, he has overseen the BEF's Watershed Program. Todd has conducted research on salmonid migration and habitat, monitored biological and hydrological results of stream restoration projects, and coordinated with many organizations to design, fund, and oversee watershed research and monitoring programs. Todd has presented at numerous conferences and has published articles in several scholarly journals and magazines.

**Rob Harmon is Chief Innovation Officer and Senior Vice President at BEF.** Rob has been working in the energy field since 1987, starting as an energy auditor in Massachusetts, moving on to manage an international marketing of wind energy. Rob joined BEF in 1999, and developed BEF's Green Tag program. In 2000, Rob developed and launched the first carbon calculator on the Internet. In 2000, Rob helped close the first retail Green Tag transaction in the US. In 2004, Rob was awarded the national Green Power Pioneer Award for his introduction of the retail Green Tag and ongoing efforts to build a Green Tag market in the US. Rob directed the development of BEF's national Solar 4R Schools program. His latest venture is the creation of BEF's Water Restoration Certificate business line. He recently contributed chapters to the book: *Voluntary Carbon Markets: A Business Guide to What They Are and How They Work*. Rob currently serves on the Boards of the Northwest Energy Coalition, Green-e, the Renewable Energy Marketers Association, and the Environmental Tracking Network of North America.

In marketing WRCs nation-wide, BEF seeks to generate support from the broadest customer base possible. As demand and sales of WRCs increase, it is our hope that this program can achieve four essential outcomes:

- Provide a stable funding source to support water trust organizations in their efforts to restore environmental flows in critically dewatered areas of the West
- Further demonstrate the real economic, social, and ecological value to water rights holders of voluntarily reallocating water rights to improve environmental flows
- Provide a simple, measurable, and effective way for individuals and institutions to address their water footprints
- Produce a market signal that will encourage states to enact (and water rights holders to support) legislation or administrative reforms that will facilitate efficient transfer and protection of water rights to meet environmental flow needs

### CONCLUSION

Dewatered ecosystems across the West reflect a century old legacy, and change may not come rapidly in many areas. The success of this program will require individuals and institutions concerned about their own water use and the health of western watersheds to step up and participate in the solution offered by WRCs.

At present WRCs are sourced from projects in just two states, however with every new WRC purchase, BEF's ability to support a broader range of projects increases. With diversified projects located in more states, we expect that the appeal for large corporate customers to make substantial, long-term WRC purchases will grow. We strongly encourage individuals working in the water arena to take one or more of the following actions:

- Seek out more information on the WRC website ([www.b-e-f.org/water](http://www.b-e-f.org/water)) and share information about this program with colleagues
- Make a WRC purchase that matches the water use in your home or business with an equal amount of water restored to a dewatered ecosystem
- Work with colleagues, community members, and legislators to increase awareness about dewatering issues and possible solutions
- Contact BEF to learn more or share ideas for potential corporate customers or program dissemination opportunities in your state or area

### For Additional Information:

TODD REEVE, Bonneville Environmental Foundation, 541/ 760-6658 or [treeve@b-e-f.org](mailto:treeve@b-e-f.org)

WATER RESTORATION CERTIFICATE SALES INFORMATION: PAM DAVEE, BEF, 503/ 248-1905

### References

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**Westenberg, Sarah A - LP-7**

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**From:** Taves, John M - DKR-7

**Sent:** Monday, February 02, 2009 4:05 PM

**To:** Constituents List

**Subject:** [constituents] New funding agreement with Bonneville Environmental Foundation

BPA has concluded a new funding agreement with the Bonneville Environmental Foundation (BEF) that will assure the foundation's work will continue to advance BPA's mission and complement its programs for the next 20 years. BEF and BPA have both signed the new agreement; it takes effect in April.

A new agreement was needed because the old funding arrangement provided BEF with a portion of the revenue premiums from BPA Environmentally Preferred Power sales, and, under Regional Dialogue contracts, the environmental attributes of BPA resources will go directly to the customers who purchase those resources. There is no rate impact associated with this change in funding mechanism.

## Constituents List (4/1/2009)

[angusduncan@b-e-f.org](mailto:angusduncan@b-e-f.org) Angus Duncan, Bonneville Environmental Foundation  
[ann@rnp.org](mailto:ann@rnp.org) Ann Gravatt, Renewable Northwest Project  
[autumn@taxpayer.net](mailto:autumn@taxpayer.net) Autumn Hanna, Taxpayers for Common Sense  
[bandonlawyer@aol.com](mailto:bandonlawyer@aol.com) David Lundgren  
[bettina@ecotrust.org](mailto:bettina@ecotrust.org) Bettina Von Hagen, Ecotrust  
[bmbakke@qwest.net](mailto:bmbakke@qwest.net) Bill Bakke, Native Fish Society  
[bob@oregoncub.org](mailto:bob@oregoncub.org) Bob Jenks, Citizens' Utility Board of Oregon  
[c.magraw@bresnan.net](mailto:c.magraw@bresnan.net) Chuck Magraw, Natural Resources Defense Council and Renewable Northwest Project/Montana  
[cameron@rnp.org](mailto:cameron@rnp.org) Cameron Yourkowski, Renewable Northwest Project  
[carrie@nwenergy.org](mailto:carrie@nwenergy.org) Carrie Dolwick, Policy Analyst, NW Energy Coalition  
[chuck\\_eberdt@oppco.org](mailto:chuck_eberdt@oppco.org) Chuck Eberdt, Opportunity Project  
[ckoch@eoni.com](mailto:ckoch@eoni.com) Chuck Koch, Oregon Rural Action  
[curtis.framel@go.doe.gov](mailto:curtis.framel@go.doe.gov) Curtis Framel, U.S. DOE  
[dandy@noether.uoregon.edu](mailto:dandy@noether.uoregon.edu) Dorothy Anderson, University of Oregon  
[danielle\\_dixon@comcast.net](mailto:danielle_dixon@comcast.net) Danielle Dixon, NW Energy Coalition  
[davej@nezperce.org](mailto:davej@nezperce.org) Dave Johnson, Nez Perce Tribe Fisheries Department Manager  
[david@rnp.org](mailto:david@rnp.org) David Wolf, Renewable Northwest Project  
[dbachrach@nrdc.org](mailto:dbachrach@nrdc.org) Devra Bachrach, Natural Resources Defense Council  
[deb@rmslaw.net](mailto:deb@rmslaw.net) Debbie Smith, Attorney  
[diane@rnp.org](mailto:diane@rnp.org) Diane Zipper, Renewable Northwest Project  
[dick.fiddler@sierraclub.org](mailto:dick.fiddler@sierraclub.org) Dick Fiddler, Sierra Club  
[dickmunson@nemw.org](mailto:dickmunson@nemw.org) Dick Munson, Former Director, Northeast/Midwest Coalition  
[dmbyrnes@bpa.gov](mailto:dmbyrnes@bpa.gov) David Byrnes, BPA  
[drmarker@bpa.gov](mailto:drmarker@bpa.gov) Douglas Marker, BPA  
[ecklumpp@bpa.gov](mailto:ecklumpp@bpa.gov) Liz Klumpp, BPA  
[fthomas20@comcast.net](mailto:fthomas20@comcast.net) Tom Foley, Thomas Foley and Associates (Transmission issues & work for RNP.)  
[gkkuntz@bpa.gov](mailto:gkkuntz@bpa.gov) Gail Kuntz, BPA Montana CAE  
[howards@cted.wa.gov](mailto:howards@cted.wa.gov) Howard Schwartz, WA Dept. of Community Trade and Economic Development  
[hrwth@eformativeoptions.com](mailto:hrwth@eformativeoptions.com) Heather Rhoades/Weaver  
[hudc@critfc.org](mailto:hudc@critfc.org) Charles Hudson, Public Information Manager, Columbia River Intertribal Fish Commission  
[inec@emoregon.org](mailto:inec@emoregon.org) Jenny Holmes, Ecumenical Ministries of Oregon

[jbissonnette@igc.org](mailto:jbissonnette@igc.org) Jeff Bissonette, Fair & Clean Energy Coalition and Citizens' Utility Board of Oregon

[jeffhammarlund@usa.net](mailto:jeffhammarlund@usa.net) Jeff Hammarlund, Chair, NWEC Oregon Caucus & Adjunct Professor at PSU

[jlazar@jimlazar.com](mailto:jlazar@jimlazar.com) Jim Lazar, Microdesign Northwest mail subscribed 24 Aug 2005, 15 Oct 2007

[joannagilson@b-e-f.org](mailto:joannagilson@b-e-f.org) Joanna Gilson, Office Manager, Bonneville Environmental Foundation

[joe.whitworth@ortrout.org](mailto:joe.whitworth@ortrout.org) Joe Whitworth, Executive director, Oregon Trout

[joseph@wildsalmon.org](mailto:joseph@wildsalmon.org) Joseph Bogaard, Outreach Director, Save Our Wild Salmon Coalition

[jpm@montana.com](mailto:jpm@montana.com) Jim Morton, Executive Director, Montana Human Resource Development Council District XI, 406-728-3710

[kathleen.ridihalgh@sierraclub.org](mailto:kathleen.ridihalgh@sierraclub.org) Kathleen Casey, Sierra Club, Cascade Chapter

[ken@rnp.org](mailto:ken@rnp.org) Ken Dragoon, Renewable Northwest Project

[kgarrison@nrdc.org](mailto:kgarrison@nrdc.org) Karen Garrison, Natural Resources Defense Coalition

[kschacht@epud.net](mailto:kschacht@epud.net) Katherine Schacht, Board Member, Emerald People's Utility District

[lizbobfrenkel@proaxis.com](mailto:lizbobfrenkel@proaxis.com) Liz Frenkle, Regional Energy Chair, Sierra Club

[lotr@critfc.org](mailto:lotr@critfc.org) Rob Lothrop, Columbia River Intertribal Fish Commission

[lwbaker@bpa.gov](mailto:lwbaker@bpa.gov) Lynn Baker, BPA

[margiegardner@b-e-f.org](mailto:margiegardner@b-e-f.org) Margie Gardner Bonneville Environmental Foundation

[mark@nwenergy.org](mailto:mark@nwenergy.org) Marc Krasnowski, Communications Director, NW Energy Coalition

[mgarrity@amrivcrs.org](mailto:mgarrity@amrivcrs.org) Michael Garrity, Associate Director, Columbia Basin Programs, American Rivers

[mccormic@charter.net](mailto:mccormic@charter.net) Mavis McCormick, member, NW Energy Coalition

[mschaff@worldnet.att.net](mailto:mschaff@worldnet.att.net) Margaret Schaff, attorney, tribal advisor

[nancy@nwenergy.org](mailto:nancy@nwenergy.org) Nancy Hirsh, Policy Director, NW Energy Coalition

[nicole@wildsalmon.org](mailto:nicole@wildsalmon.org) Nicole Cordan, Policy and Legal Director, Save Our Wild Salmon Coalition

[usiafrances@comcast.net](mailto:usiafrances@comcast.net) Francis Heap, Administrative Assistant, Northwest Sportfishing Industry Association

[nsializ@aol.com](mailto:nsializ@aol.com) Liz Hamilton, Executive Director, Northwest Sportfishing Industry Association

[nw-wa.field@sierraclub.org](mailto:nw-wa.field@sierraclub.org) Northwest WA Field Office, Sierra Club

[palossner@bpa.gov](mailto:palossner@bpa.gov) Pete Lossner, BPA

[peter@energytrust.org](mailto:peter@energytrust.org) Pete West, Director of Renewable Energy, Energy Trust of Oregon

[pford@wildidaho.org](mailto:pford@wildidaho.org) Pat Ford, Executive Director, Asve our Wild Salmon Coalition

[philip.carver@comcast.net](mailto:philip.carver@comcast.net) Phil Carver

[phred@sunlightdata.com](mailto:phred@sunlightdata.com) Fred Heutte, Sierra Club, Portland

[przimmer@bpa.gov](mailto:przimmer@bpa.gov) Pat Zimmer, BPA

[rachel@mp.org](mailto:rachel@mp.org) Rachel Shimshak, executive Director, Renewable Northwest Project

[rcavanagh@nrdc.org](mailto:rcavanagh@nrdc.org) Ralph Cavanagh, Senior Attorney, Natural Resources Defense Council

[rhett@wildsalmon.org](mailto:rhett@wildsalmon.org) Rhett Lawrence, Policy Analyst, Save Our Wild Salmon Coalition

[rhys@climatesolutions.org](mailto:rhys@climatesolutions.org) Rhys, Roth, Director, Clean Energy Programs, Climate Solutions

[rlswedo@bpa.gov](mailto:rlswedo@bpa.gov) Rob Swedo, BPA

[rmasonis@americanrivers.org](mailto:rmasonis@americanrivers.org) Rob Masonic, Vice President for Western Conservation, Trout Unlimited

[rohlf@lclark.edu](mailto:rohlf@lclark.edu) Dan Rohlf, Associate Professor of Law; Director, Pacific Environmental Advocacy Center, Lewis & Clark Law School

[salforal@pacifier.com](mailto:salforal@pacifier.com) Oliver Waldman, Program Director, Salmon for All

[sam@wildsalmon.org](mailto:sam@wildsalmon.org) Samatha Mace, Inland Northwest Project Director, Save Our Wild Salmon Coalition

[sara@nwenergy.org](mailto:sara@nwenergy.org) Sara Patton, Executive Director, NW Energy Coalition

[scarter@nrdc.org](mailto:scarter@nrdc.org) Sheryl Carter, Director, Western Energy Program, Natural Resources Defense Council

[stacey.waterman@gmail.com](mailto:stacey.waterman@gmail.com) Stacey Waterman-Hoey (formerly with WA Dept. of Community Trade and Economic Development)

[stan@putnampricc.com](mailto:stan@putnampricc.com) Stan Price, Executive Director, Northwest Energy Efficiency Council

[stcvc@nwenergy.org](mailto:stcvc@nwenergy.org) Steve Weiss, Senoir Policy Associate, NW Energy Coalition

[tana@cbfwa.org](mailto:tana@cbfwa.org) Tana Klum, Tribal liaison/Member Coordinator, Columbia Basin Fish and Wildlife Authority

[tims@cted.wa.gov](mailto:tims@cted.wa.gov) Tim Stearns, Senior Energy Policy Specialist, WA Dept. of Community Trade and Economic Development

[weiss.steve@comcast.net](mailto:weiss.steve@comcast.net) Steve Weiss, NW Energy Coalition

[wseyler@spokanetribe.com](mailto:wseyler@spokanetribe.com) Warren Sayler, Spokane Tribe

Potential Additions:

Joanne Ernst, commissioner, Emerald PUD; Roger Rees, Exec. Dir., Oregon Heat.

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Board committees

### 3. Conflict of Interest Policy

#### **Purpose and Policy**

The purpose of the conflict of interest policy is to protect the organization's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a staff member, a Board Member or officer of the organization, or might benefit the interest of another entity to which such staff member, Board Member or officer has a fiduciary obligation. This policy is intended to supplement, but not replace, any applicable state laws governing conflict of interest applicable to nonprofit and charitable corporations.

Each staff member, officer and Board Member has a duty to place the interests of BEF foremost in any dealings with BEF and has a continuing responsibility to comply with the terms of this policy. No staff member, officer or Board Member shall use his or her position with BEF, or the knowledge gained from that position, in a way that results in a conflict or appearance of a conflict between the interests of BEF and his or her personal or other interests or obligations.

New Board members will sign the conflict of interest policy and disclosure form and update this information at the request of staff.

#### **Definitions**

##### **Interested Person:**

Any Board Member or officer who has a direct or indirect material financial interest, as defined below, is an interested person. If a person is an interested person with respect to any single entity within the organization's control, he or she is an interested person with respect to all entities.

##### **Material Financial Interest:**

A person has a material financial interest if the person has, directly or indirectly, through business, investment, or immediate family:

- an ownership or investment interest in, or fiduciary obligation to, any entity with which the organization has a transaction or arrangement, except that a de minimus ownership or investment interest (<5% of net worth, or <5% ownership interest, or incidental ownership through a stock mutual fund) will not constitute a material financial interest;
- a compensation arrangement with any entity or individual with which the organization has a transaction or arrangement, except that a compensated position that does not involve control or direction of the entity, or senior management authority and commensurate compensation in the entity will not constitute a material financial interest; or

## Attachment 13

- an anticipated ownership or investment interest in, or fiduciary obligation to, or compensation arrangement with, any entity or individual with which the organization is negotiating a transaction or arrangement, with the same *de minimus* exceptions for ownership or investment interest, and with the same non-control and authority exceptions for compensation arrangements.
- a business relationship with any other officer, director, trustee or key employee of the organization, defined as
  - a) One person being employed by the other in a sole proprietorship, or by an organization in which the other person is a trustee, director, officer, key employee or greater than 35% owner.
  - b) One person transacting business with the other (other than in the ordinary course of either party's business on the same terms as are generally offered to the public), directly or indirectly, in one or more contracts of sale, lease, license, loan, performance of services, or other transaction involving transfers of cash or property valued in excess of \$10,000 in the aggregate during the organization's tax year (indirect transactions are the transactions with an organization with which the one person is associated as a trustee, director, officer, key employee, or greater than 35% owner); or
  - c) The two persons are each a director, trustee, officer, or greater than 10% owner in the same business or investment entity.
- a family relationship with any other officer, director, trustee or key employee of the organization, defined as: spouse, children, sister, brother, parent, grandparent or any spouse of the foregoing.
- any business transactions with the organization, either directly or indirectly through an organization with which you or a family member is a board member, trustee,  
I think something is missing here—last word has comma at end.

Notwithstanding the above, for an employee of the Bonneville Power Administration (BPA) who is a member or ex officio member of the BEF Board, such employee's fiduciary responsibility to, compensation arrangements with, control or direction of, or senior management authority in BPA is deemed to not constitute a material financial interest that could give rise to a conflict of interest governed by this policy.

Compensation: Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature. A *de minimus* financial interest shall not constitute a material conflict of interest.

### Excess Benefits Transactions

Under no circumstances will the Board or Chief Executive Officer authorize or permit to occur an excess benefit transaction between BEF and an interested person or other disqualified person. An "excess benefit transaction" is one in which the economic benefit an organization provides is greater than the value of the

## Attachment 13

consideration (including performance of services) it receives. A "disqualified person" is anyone who is in a position to exercise substantial influence over the organization's affairs.

### **Procedures**

In connection with any actual or possible material conflict of interest in any transaction or arrangement before the Board or any Board committee (hereinafter "Board"), a Board Member or Officer (hereinafter, "Member") who may be an interested person must fully disclose the existence and nature of his or her financial interest to the Board in the course of its consideration of the proposed transaction or arrangement. Such person may then elect to recuse himself or herself from any deliberations or decision making regarding the matter in question.

Alternately, the Board must make such a determination. After disclosure is made, the person making such disclosure shall leave the meeting while the financial interest is discussed and voted upon. The remaining Members who are disinterested persons shall decide by majority vote if a material conflict of interest exists.

If the Board determines that *a material conflict of interest does not exist*, the Member making such disclosure may return to the meeting and participate fully in the deliberations and decision making on the matter.

If the Board determines that *a material conflict of interest does exist*, the Member who is the interested person may be present for but not participate in the presentation and discussion of the proposed transaction or arrangement. The interested person may not be present for, or participate in, or vote on, or seek to influence another's vote on the Board proceeding in question once a motion with respect to the transaction or arrangement has been made.

The Board shall determine by a majority vote of the disinterested Members whether the transaction or arrangement is in the organization's best interest and for its own benefit, whether the transaction is fair and reasonable to the organization, and whether it is prohibited as an excess benefit transaction, and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination. In making its determination, the Board may consider whether the organization, with a reasonable level of effort, could obtain an outcome with respect to the transaction or arrangement in question that was equally or more advantageous to the organization and that would not give rise to a material conflict of interest. In the event, the Board will document in the minutes of its proceedings its findings and conclusions with respect to each of these determinations.

### **Violations of the Conflict of Interest Policy**

If the Board has reasonable cause to believe that a Member has failed to disclose actual or possible material conflict of interest, it shall inform the Member of the basis

for such belief and afford the Member an opportunity to explain the alleged failure to disclose.

If, after hearing the response of the Member and making such further investigation as may be warranted in the circumstances, the Board determines that the Member has in fact failed to disclose an actual or possible material conflict of interest, it shall take appropriate disciplinary and corrective action including, if warranted, dismissal from the Board.

Records of Proceedings

The minutes of the Board shall contain:

- the names of the Members who disclosed or were otherwise found to have a material financial interest in connection with an actual or possible material conflict of interest, the nature of the financial interests, any action taken to determine whether a material conflict of interest was present, and the Board's decision as to whether a material conflict of interest in fact existed.
- the names of Members present for discussion and/or votes relating to the transaction or arrangement; the content of these discussions, including any alternatives to the proposed transaction or arrangement; and a record of any votes taken in connection therewith.

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### Compensation Committees

A voting Member of the Board or any Board committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the organization for services is precluded from voting on matters pertaining to the Member's compensation, except that the full Board will determine, in a manner consistent with the fiduciary obligations of its Members, the appropriate level of fees for Board service.

### Statements

Each Member or Officer shall, upon joining the Board or BEF, sign a statement which affirms that such person:

- has received a copy of the conflict of interest policy
- has read and understands the policy
- has agreed to comply with the policy
- understands that the policy applies to all committees and subcommittees having Board-delegated powers; and
- understands that the organization is a charitable organization that must engage primarily in activities that accomplish one or more of its tax-exempt purposes to maintain its exempt status.

## **4. Fiscal Management Standards and Policies**

### Fiscal Year

BEF'S fiscal year is defined as April 1 through March 31.

### Generally Accepted Accounting Principles

Except when noted, BEF follows generally accepted accounting principles for not-for-profit organizations.

### Accrual Accounting

BEF utilizes the accrual basis of accounting in which revenues are recorded in the period in which they are earned and expenses are recorded in the period in which they are incurred regardless of when cash is received or disbursed. Income from restricted grants and donations is recorded in the period in which the restrictions have been met through proper expenditure of the funds and/or the required services have been provided.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent



**BONNEVILLE  
ENVIRONMENTAL  
FOUNDATION**

# Memo

To: Terry Oliver  
From: Margie Gardner, CEO  
Date: July 2, 2010  
Re: Addendum Regarding BPA Funding for BEF

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BEF is proud of our connection to Bonneville Power Administration and our ability to enhance the region's leadership in clean, renewable energy and watershed improvement. We are pleased to provide you with this report detailing the projects made possible by BPA funds awarded under MOA No.04RB-11472 dated October 1, 2003 and the newly updated, 2009 contract between BPA and BEF No. 09EO-40085. This report covers the 12-month period from April 1, 2009 through March 31, 2010. Total eligible expenditures for the period were \$692,793.



Photos of: White Creek Wind Farm, Da Vincel School and Teton Model Watershed

## **OCTOBER 2003 CONTRACT**

Work under the 2003 contract was accomplished in the following qualifying areas:

### **Research, Development and Demonstration: \$19,294.**

BEF is an innovative, entrepreneurial nonprofit that is working to explore new sources of renewable energy and expand existing renewable energy resources available to the BPA system. As such, we worked last year in the following areas:

- **Building-integrated photovoltaics and solar/sustainability initiatives:** this category included an installation of integrated PV on a LEED certified classroom building that serves as a middle school music room. The project's cutting edge, integrated PV was an integral part of the building and enabled it to be the first LEED platinum education building in the US. Our work in solar/sustainability initiatives also included contributing renewable energy options to a large sustainability initiative at Southern Oregon University (SOU) in collaboration with the City of Ashland, BPA, and the Northwest Power Planning Council (BEF has already completed multiple solar projects with Ashland's municipal utility, including one at SOU).
- **Smart Grid and plug-in hybrids:** We worked with state and local governments, utility and university experts and electric vehicle producers to develop program and financing strategies that will accelerate the introduction of smart grid technologies and Plug-in Electric Vehicles into the Northwest. This work included addressing vehicle-to-grid issues for utilities as a member of the Governor's Oregon Alternative Vehicles Task Force. Given recent advancements in electric vehicles, this plug-in technology will be an important component of future grid and resource planning for BPA and its customer utilities.
- **Wind Integration:** As a member of the NW Wind Integration Committee (and its technical committee on Flexibility Augmentation), BEF participated in meetings with BPA, the NW Power Planning and Conservation Council and many regional utilities on the topic of regional wind integration.

### **Renewable Energy Education: \$298,393.**

Through BEF, BPA has supported a number of initiatives that educate consumers, communities and children in the NW about renewable energy. One hallmark program is BEF's Solar 4R Schools program, (described more fully on pages 22-25 of our Annual Report) Solar 4R Schools provides hands-on activities and lesson plans focused on renewable energy often in conjunction with solar arrays and web sites/kiosks that allow kids to track the energy generated on their schools' PV systems and compare it with the energy generated on the systems at other schools.

BEF works together with public utilities to develop solar and renewable education in local schools and communities. This year we co-funded work with the following public utilities, leveraging the large amounts of funding that these utilities and communities contributed on their own.

- Seattle City Light
- Clark PUD
- Snohomish PUD (featured on page 25 of our Annual Report)
- Eugene Water and Electric Board
- Lower Valley Energy
- Tacoma Power

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- Cowlitz PUD
- Columbia River PUD
- Wasco Electric Coop
- Pacific County PUD

Funding from the collective partners for these schools in BPA's territory resulted in 19 teacher trainings with dozens of instructors and the completion of 24 installation, retrofit, education and data monitoring projects on schools and community buildings last year in the public utilities service territories.

This year we also upgraded the Solar 4R Schools web site to make it an interactive educational tool for teachers and students to learn about renewable energy. Among other educational features of the website, we created an approachable, animated video to bring to life renewable energy issues in a manner that is understandable to kids. We also finished development of a highly successful Community Solar Guide; the guide is a "How to" booklet with real-world examples designed to help entities develop Community Solar projects.

### **Direct Application Renewable Resources: \$0**

There were no activities for the reporting year in this category. All small solar systems installed through the Solar 4R Schools program are included in the Renewable Energy Education category of this report.

### **General and Administrative: \$79,422**

General and administrative costs for the period equal 20% of total expenditures as allowed by the agreement.

### **The Stanwood High School Sustainable Power Project**

**Install Date:** 6/12/2009

**Size:** 1 kW

**Module tilt:** 45.0°

**Module orientation:**  
165.0° from North



*The system started operating during the summer of 2009. Data monitoring showed that the system generated 392.2 kWh by the end of FY 2010.*

*The Stanwood High School Sustainable Power Project in Snohomish County, Washington, showcases an excellent community solar demonstration project on the school grounds. The solar PV system is a stand-alone structure on the east side of campus, with unobstructed southern, eastern, and western exposures within direct view of State Route 532. The school uses the system to teach K-12 students and the public about solar power. The students plan to construct a mobile solar panel demonstration trailer in order to bring solar education to classes in the other nine schools in the Stanwood Camano School District. The community solar system directly offsets some of the operating costs associated with the agriculture program's greenhouses and aquaculture laboratory. Additionally, the school's active aquaculture program supports BEF and BPA's interest in watershed improvements; the school children release salmon fry into the river within the adjacent Stillaguamish Tribe's reservation. BEF provided the grant for the PV system and education curriculum.*

**TOTAL CHARGED to the 2003 CONTRACT: \$397,109.**

## JANUARY 2009 CONTRACT

### Supporting Regional Watershed Improvements: \$295,684.

All work charged to this contract last year supported regional watershed improvements that further BPA's efforts to maintain, restore, and enhance regional fish and wildlife and associated habitat. BEF's work focused on developing Water Restoration Certificates and Model Watershed improvements.

### Water Restoration Certificates

Water Restoration Certificates are a new market-based solution to put water back in Northwest streams that are critically de-watered. WRCs are featured on pages 2-5 of our Annual Report.

The primary benefit of WRCs to BPA is the additional funding that other organizations will be able to provide to restore watersheds. Organizations like The Natural Resources Defense Council and WhiteWave Foods have already committed to voluntarily pay to put water back into dewatered streams that support important fish species. BEF leveraged BPA's infrastructure to partner with the National Fish and Wildlife Foundation (NFWF) to certify that all of the projects address priority restoration needs in biologically important streams.

**Here's how it works:** Any business that wants to take responsibility for their water consumption can return an equal amount of water back to the environment – at a place and in a time when that water is most critically valuable to the watershed ecosystem - by purchasing an amount of WRCs commensurate with their water use. Each WRC represents 1,000 gallons of water that BEF returns to critically dewatered rivers through supply contracts with local Water Trusts. The standards and criteria for selecting each stream were created by the National Fish and Wildlife Foundation (and based on the criteria developed for the Columbia Basin Water Transaction Program). NFWF performs the project review and approval process for each project, and this ensures that water is returned at a time and place that will produce real environmental benefits. Finally, each WRC is numbered and registered in an online registry so that the customer can be sure the water transaction took place and produced the intended environmental outcome. BEF also hires an independent auditing firm to review all transactions and ensure that water returned to the ecosystem is never double counted.



Prickly Pear Creek before and after restoration

### Model Watersheds



Teton River

Another key part of our work last year was to further refine and implement a community-based Model Watershed approach to watershed restoration. This program focuses on engaging and collaborating with strong stakeholder groups to ensure that restoration efforts are comprehensive, scientifically guided, and long lasting. This work is described more fully on pages 16-21 of our Annual Report. Our Watershed Program works directly to reinforce collaborative and science-based restoration strategies that improve stream habitat and recover native populations of salmon and trout on private lands. In 2009, we worked in five

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watersheds of concern to BPA: Deschutes, Kootenai, Benewah, Entiat, and Teton Rivers. Each watershed community receives scientific support, an independent scientific review and funding to track restoration progress, build and sustain community understanding and support for restoration, and adapt and improve restoration strategies based on measured results.

Both WRC's and Model Watershed projects complement BPA's fish and wildlife obligations, and involve collaborative efforts with BPA stakeholders including utilities, tribal governments, local governments and environmental organizations.

### Charges to BEF Renewable Inc.

The current 2009 contract allows BPA funds to be used for work that meets the purposes of the contract and is accomplished through BEF's wholly-owned subsidiary, BEF Renewable Inc. Most renewable energy projects require federal or state tax incentives to be able to pencil-out financially. If a nonprofit (such as BEF), a local government or a consumer-owned utility, is party to the deal, it can have the effect of reducing or eliminating the tax benefits. Since Renewable Inc is wholly-owned by BEF, but is legally a for-profit entity, the entity allowed us to reduce costs through capturing project tax incentives AND still retain any margins within the BEF family and non-profit mission that such a project might accrue. This financing approach also advantages any non-profit project collaborators.



Three Mile Canyon Digester

BEF took steps to develop and invest in a ground-breaking manure-to-energy demonstration project that should result in a low capital cost, small-scale, dairy digester design that will benefit the Northwest public utilities with dairies in their service territory. This project is described on page 10 of our Annual Report. Although we had anticipated being able to charge this demonstration project to the BPA contract, due to changes in the BPA contract we have kept all costs associated with BEF Renewable Inc. out of this report. BEF Renewable Inc. costs not charged to BPA totaled \$452,000.

**January 2009 Contract Total: \$295,684.**

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### Sources and Uses of Cash:

	2003 Contract	2009 Contract
Beginning Balance	\$723,710	\$0
Payments Received	\$0	\$1,300,000*
Funds Released	\$397,109	\$295,684
Cash Balance	\$326,601	\$1,004,316

\* Represents cash received during the period and does not include accruals of future payments required under FASB 116.



b-e-f.org

# Progress Report to the Bonneville Power Administration

Renewable Energy Activities October 2006-September 2007



from The Bonneville Environmental Foundation

June 30, 2008

# Attachment 15

Progress Report to the Bonneville Power Administration-Renewable Energy Activities October 2006-September 2007

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Progress Report to the Bonneville Power Administration-Renewable Energy Activities October 2006-September 2007

## **About this Report**

This report is provided to BPA in fulfillment of BEF's obligations under MOA No. 04PB-11472, Section 4(c), executed July 15, 2004.

This report summarizes BEF's use of funds received from BPA public customers during FY 2007 (October 2006 to September 2007).

Our current activities are outlined in the Current Activities section. This section includes an itemized list of expenditures incurred during the reporting period.

Information on the future direction of our programs, as envisioned at the time of this report, can be found in the Anticipated Activities section.

## **Use of Funds**

Funds provided to BEF under the BEF funding Memorandum of Agreement (04PB-11742) shall be used for the following activities for the benefit of BPA's public utility and electric cooperative customers:

1. Renewable education programs;
2. Renewable research, development and demonstration (RD&D) activities;
3. Direct Application Renewable Resources by end-use customers served by BPA's public utility and electric cooperative customers.

Eligible Expenses include:

- Capital expenses associated with renewable education programs, RD&D or Direct Application Renewable Resources projects;
- Expenses associated with activities directly related to installing or implementing renewable education programs, RD&D projects, or Direct Application Renewable Resources projects;
- Expenses associated with studies or research demonstrating the viability of new renewable technologies;
- Expenses associated with other activities that have been approved in writing by BPA;
- A maximum of 20% may be used for general and administrative expenses that jointly support BEF in general, and this agreement in particular.

## FY Consolidated Expenses

Figure 1.

Expenditures By Category	
Direct Application	Expense
Solar Co-op	\$1,445
Wind Co-op	\$4,868
Grant Review	\$4,596
Outreach	\$11,069
General (project planning & installation)	\$61,572
<b>Total Direct Application:</b>	<b>\$79,550</b>
RD&D	Expense
Ellensburg Community Solar	\$2,289
Building-Integrated PV (BIPV)	\$7,512
Biomass	\$27,909
Wind Integration	\$17,922
Wave and Tidal Energy	\$397
Smart Grid	\$1,198
Analysis of PV Incentives in the Northwest	\$15,899
<b>Total RD&amp;D:</b>	<b>\$73,126</b>
RE Education	Expense
S4RS Program Improvement	\$61,299
Internet Monitoring & Data Display	\$31,245
Educational Assistance to Public Utilities and Regional Stakeholders	\$16,256
Last Mile Electric Cooperative	\$1,751
<b>Total RE Education:</b>	<b>\$110,551</b>
G&A (20% of total expenditures)	\$65,807

# Attachment 15

Progress Report to the Bonneville Power Administration-Renewable Energy Activities October 2006-September 2007

## MOA Funds Balance Summary

Figure 2.

Funds Rolled Forward to Next Period	
Current Period Budget	\$973,038
Dollars available from prior budget (rolled forward)	-\$197,102
Total Available Dollars	\$775,936
Total Current Period Expenditures	\$329,034

**Current Activities:**

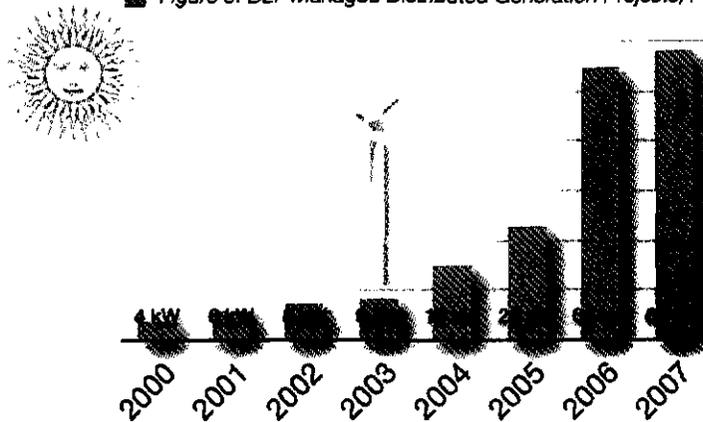
**Current Direct Application Renewable Resource Activities:**

This section details the installation of current direct application renewable resources in the territories of BPA's public utility and electric cooperative customers.

BEF continued its support of distributed generation in FY 2007, adding more than 67 additional kW in the reporting period (Figure 3), excluding solar and wind coop installations.

Through its two coops, BEF supported an additional 810 kW of renewable energy technology installations during this year. Since the year 2000, BEF has supported the installation of more than 1.7 MW of small-scale distributed generation (Figure 4).

■ Figure 3. BEF Managed Distributed Generation Projects, Per Year



■ BEF Managed   ■ Wind Coop   ■ Solar Coop

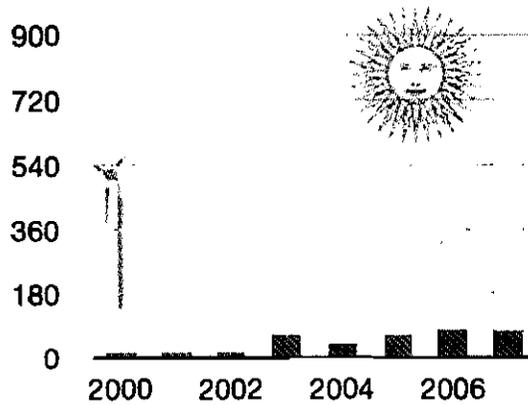


Figure 4. Installations supported per year

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Progress Report to the Bonneville Power Administration-Renewable Energy Activities October 2006-September 2007

During FY 07, BEF's Project Management Team broke ground on 22 new projects, 6 of which are located in BPA public territory. (Figure 5). We commissioned eighteen projects during the year, meaning the projects are generating power, and completed nine, meaning that all installation, marketing and educational activities complete.

Figure 5. BEF-managed projects, October 2006-September 2007

	Project FY 2006	Technology	Capacity (kW)	Serving Utility	Public
Under Construction	Beaverton Resource Center	PV	1.1	Portland General	
	Bellingham Environmental Learning Center	PV	2.04	Puget Sound Energy	
	CHIME Charter Middle School	PV	13.35	LADWP	✓ (non-BPA)
	daVinci Modular Classroom	PV	5	PGE	
	Hood River Middle School	PV	1.1	Pacific Power	
	Issaquah Fish Hatchery	PV	1.1	Puget Sound Energy	
	John Hay - ASES 2007	PV	1.7	Cleveland Public	✓ (non-BPA)
	Molalla High School	PV	1.1	Portland General	
	Pocatello Community School	PV	1.1	Idaho Power	
	Port Townsend HS PV	PV	1.1	Puget Sound Energy	
	PSE State Capital	PV Data Monitoring	-	Puget Sound Energy	
	RiverStone Community School	PV	1.1	Idaho Power	
	Snopud Community Transit Project	PV	3	Snohomish PUD	✓
	Southridge High School	PV	1.1	Benton PUD	✓
	Southwest JHS PV Project	PV	1.1	Westar Energy	
	St Helens High School	PV	1.1	Columbia River PUD	✓
	Sunnyside Environmental School	PV	1.1	Portland General	
	Toutle Lake High School	PV	1.1	Cowlitz PUD	✓
	Wake Robin Learning Center	PV	1.1	Cowlitz PUD	✓
	WellSpring Community School	PV Education	-	Puget Sound Energy	
	West Salem HS-wind	Small Wind	1.8	Salem Electric	✓
	Western Washington University	PV	2	Puget Sound Energy	

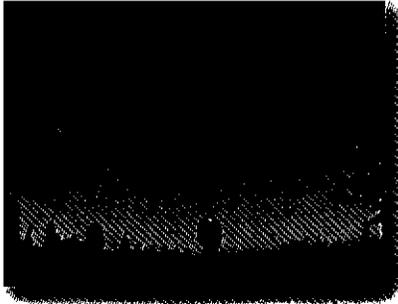


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Progress Report to the Bonneville Power Administration-Renewable Energy Activities October 2006-September 2007

reporting year, BEF continued to provide important support in this reporting period in order to ensure ongoing product credibility and to provide access to markets for the Co-op's products and educational services. We also continued to work with the Co-op to determine the viability of a utility-scale wind project near Goldendale, WA (in the service territory of one of BPA's public power customers).

*The 10th co-op turbine, located in White Salmon, WA, was erected in September, 2006*



Three of the ten Co-op installations are located in BPA's public power customer's service territories (Figure 6), and all of the installations are inside BPA's control area. BEF's expenses covered by the MOA are limited to those incurred while supporting Northwest SEED in its institutional development. No Green Tag payments or loans were charged against the MOA. All turbine installations are listed to demonstrate the work the Co-op has undertaken.

Figure 6. BEF-Our Wind Coop projects

Turbine #	Location	Install Date	Interconnecting Utility	BPA Customer
1	Peshastin, WA	May 23, 2003	Chelan County PUD	
2	Stanford, MT	Sep. 29, 2003	NorthWestern Energy	
3	Glacier, MT	Oct. 9, 2003	Glacier Electric	
4	Goldendale, WA	Nov. 3, 2003	Klickitat PUD	✓
5	Chester, MT	Dec. 16, 2003	Northwestern Energy	
6	Goldendale, WA	Sep. 2, 2004	Klickitat PUD	✓
7	Belt, MT	June 1, 2005	Sun River Elec. Cooperative	
8	Kittitas, WA	March 9, 2006	Puget Sound Energy	
9	Wolf Creek, MT	March 30, 2006	Northwestern Energy	
10	White Salmon, WA	September 30, 2006	Klickitat PUD	✓

### Grant Review

Since 2000, BEF has offered an open solicitation process, allowing Northwest organizations to apply for funding support for their renewable energy projects. This open process is only one part of our renewable energy program, and we discover many of our projects through direct negotiation with partners. However, many good projects continue to come to BEF through the open solicitation process accessible to all interested applicants and explained in details on the BEF website:

[www.b-e-f.org/grants](http://www.b-e-f.org/grants)

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Progress Report to the Bonneville Power Administration-Renewable Energy Activities October 2006-September 2007

During BPA's FY 2007, BEF reviewed 101 applications, most of which were submitted through our web site. Twenty-six of these applications were submitted by customers of BPA public utilities.<sup>1</sup> Of these, three have turned into actual projects: (Snohomish Community Transit, Toutle Lake High School (Cowlitz PUD) and Wake Robin Learning Center (Cowlitz PUD).

As part of BEF's Project Management program line, BEF reviews applications and manages installations under contract with some specific utilities, utilizing funds from those utilities. BEF staff time and expenses associated with those projects are paid for under those contracts and are not included in calculations in this report.

**MOA Charges for Letters of Enquiry: time and expenses associated with soliciting and reviewing LOE's from within the service territories of BPA public power customers - \$4,569**

### Outreach

During the year, BEF's Project Management Group produced several documents designed to explain our project management services to potential utility partners and project hosts (primarily schools). We designed detailed and abbreviated program guides, updated our program descriptions and FAQs on our website, and created a new electronic PDF application forms. Representatives from BEF's Project Management Group attended BPA's Utility Energy Efficiency Workshop and presented the details of BEF's Solar 4R Schools program. We also reached out to several BPA public utilities, in particular, in an attempt to form new partnerships or to extend existing ones. We talked extensively with Seattle City Light, Clark Public Utilities, Snohomish PUD, Cowlitz PUD, and Benton PUD about collaborating on new renewable energy demonstration projects. Those discussions laid the groundwork for future projects, many of which will be detailed in BEFs next report to BPA.

**MOA Charges for Outreach: BEF staff time (material development, travel, staff time) - \$11,069**

### General Project Management Group Activities (project planning & installation)

The following bullet points detail some of PMG's activities related to the direct installation of renewable energy resources during the reporting period:

- La Center High School

Though we broke ground on this project, located in Clark Public Utilities service area, during the previous reporting period, the majority of the installation and education work was performed during the current period.

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<sup>1</sup> Many of the other LOEs were submitted in response to RFPs that BEF issued in collaboration with funding partners who utilize our Project Management services.

# Attachment 15

Progress Report to the Bonneville Power Administration-Renewable Energy Activities October 2006-September 2007

As a participant in BEF's Solar 4R Schools program, the school received a 1.1 kW demonstration solar-electric system, a data monitoring system, full weather station, renewable energy curriculum, teacher-training and ongoing educational support, and an

interactive hallway kiosk that details the function and benefits of various renewable energy technologies. Teacher-champion Sandra Lanphere will incorporate the renewable energy curriculum into the school's existing science classes.

The solar system augments the school's existing "Sustainables" project; a coordinated effort by the La Center school community to introduce students, staff, and parents to the opportunities afforded by renewable energy and green building design. Because the school invested in ambitious energy efficiency upgrades in 2005, installing efficient fluorescent lighting fixtures, an advanced HVAC system, 50-year metal roofing, passive solar elements, motion sensing faucets, and low-flush toilets, the new solar-electric system powers a greater percentage of the building's electric load.

1.1 kW roof-mounted PV system at La Center High School



The plaque on La Center's interactive kiosk invites students to explore renewable energy

**LaCenter High School**  
**Live Solar Data**

LaCenter High School's solar project was made possible by a grant from Clark Public Utilities in partnership with the Bonneville Environmental Foundation's Solar 4R Schools program, and was installed in October of 2006.

It invites the students to explore these pages and learn how solar works, about other types of renewable energy, why renewable energy is important and what you can do to make a difference and help save energy.

For more information on the project, visit the school's website at [www.lacenterhighschool.org](http://www.lacenterhighschool.org).

*LaCenter High School*

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Progress Report to the Bonneville Power Administration-Renewable Energy Activities October 2006-September 2007

- St Helens High School (St. Helens, OR)

In collaboration with Columbia River PUD, BEF installed a Solar 4R Schools project at St. Helens High School. Located prominently in front of the school parking lot, the installation is highly visible to the entire St. Helens community.

In order to be considered for a Solar 4R Schools project, a school must have a "Teacher Champion" that will lead the educational efforts related to the project. BEF found an extremely dedicated Teacher Champion at St.

Helens in teacher Jay Groom. He will spearhead the school's renewable energy education efforts, incorporating the system and its data into both science and social studies classes. Commenting on the value of the project to the school, Mr. Groom says, "We are extremely excited to receive the photovoltaic project because it gives us a 'hands on' approach to teaching science. It will help me relate science to the students' lives."



*St. Helens' PV project supporters*

Columbia River PUD was also an active participant in the project. According to Kevin Owens, the PUD's General Manager, "Columbia River PUD actively supports expanding educational opportunities in our community, and we are particularly excited to expose the local students to the science, technology, and career opportunities of renewable energy."



*Jay Groom and Kevin Owens, St. Helens' Teacher Champion and Columbia River PUD GM, respectively, pause in front of the project plaque and interactive kiosk during the school's opening celebration*

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Progress Report to the Bonneville Power Administration-Renewable Energy Activities October 2006-September 2007

- Toutle Lake High School and Wake Robin Learning Center

BEF collaborated with Cowlitz PUD during the current reporting period, beginning the installation of Solar 4R Schools education projects at two locations within the PUD's service territory. The Toutle Lake project will be headed by science teacher John Brugman. BEF will introduce renewable energy concepts to thousands of students at the 82-acre Wake Robin Learning Center, as the site routinely hosts groups of regional students for recreation and education. BEF will detail both of these projects in next year's progress report to BPA.

- Data Monitoring for West Salem Small-Wind

BEF initiated a data monitoring and renewable energy education project at West Salem High School, the site of BEF's second Solar 4R Schools project in 2002. The school has erected a 1.8 kW wind turbine, but has no means of tracking and downloading the system data. BEF plans to provide the school with online data monitoring, wind curriculum, and an interactive educational kiosk. Though there are currently significant technical hurdles associated with downloading the wind data in an academically usable format, BEF hopes to devise a solution to this problem so that we can incorporate small school wind projects into the Solar 4R Schools program.

- Southridge High School

The Project Management Group worked closely with Benton PUD to find an appropriate project host for a Solar 4R Schools project in this service territory. Though we had repeated, detailed discussions with four or five schools, only one school seemed like a legitimate candidate. Southridge High School initially expressed serious interest in hosting a project, and PMG staff spent many hours trying to initiate the project. Ultimately, school personnel were not willing to cooperate to the extent required, and we abandoned the project. This situation underscores the fact that a project is unlikely to be successful without vigorous support from the school community, including the Principal and District personnel.

- Ashland Community Solar

BEF collaborated with the City of Ashland to explore how and whether to expand its existing municipal distributed solar PV system through use of CREBS bonds, tax credits, and "solar cooperative" shares sold to Ashland utility customers. (Note: The City's existing solar system was established in 1999 in significant part with BEF's first renewable energy grant.) Ashland's Utilities Director, Dick Wanderscheid, requested and received ongoing BEF consultation in program design, siting, equipment procurement, finance, and structuring an "offering" to Ashland residents. Ashland determined to proceed with the project, and hopes to begin construction in 2008-09. BEF has provided marketing consultation and design services to Ashland, and brought to the City a business interest through whom the CREBS bonds were successfully placed. (Note: the project is being developed independent of BEF's Green Tag co-marketing arrangement with Ashland.)

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- Bulk Purchase of Inverters

In the previous update to BPA, we described our bulk purchases of solar panels and data monitoring equipment, and the resulting time and expense savings. The approach worked so well that we extended it to our inverter purchases. By entering into an agreement with SMA-America during the current reporting period, we lowered our inverter costs by 16% and guaranteed prompt on-site delivery of a third major system component.

- Additional Regional Benefits from BEF's Project Management

PMG, with BPA's vital assistance, has developed the capacity to install highly educational demonstration projects quickly, and cost-effectively. This ability has benefitted BPA's regional public power customers, substantially, in that they now have access to comprehensive and competent renewable energy project management. PMG managed the installation of six additional projects in public utility territory during this period. Because these projects were not billed to the BPA MOA, they are not detailed here.

**MOA Charges for General BPA Project-Related Expense (project planning, contracts, installation): BEF staff time- \$61,572**

- Additional Regional Benefits from BEF's Project Management

PMG, with BPA's vital assistance, has developed the capacity to install highly educational demonstration projects quickly, and cost-effectively. This ability has benefitted BPA's regional public power customers, substantially, in that they now have access to comprehensive and competent renewable energy project management. PMG managed the installation of four additional projects in public utility territory during this period. Because these projects were not billed to the BPA MOA, information on these activities can be found in the Appendix.

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Progress Report to the Bonneville Power Administration-Renewable Energy Activities October 2006-September 2007

### Update on Planned Direct Application Activities (from previous Progress Report)

In the previous report, we listed various Direct Application goals for this current period. According to this list, BEF intended to:

Goal	Outcome
Work with the Northwest Solar Co-op to ensure that growth is accomplished in a way that addresses the needs of all parties in the chain of ownership	Accomplished
Install several more PV demonstration projects, including one at St. Helen's High School and three in Cowitz PUD territory	Partially accomplished (only two appropriate host schools were found in Cowitz territory)
Market our Project Management Services to regional PUDs	Accomplished
Organize a bulk order of inverters	Accomplished

### **Current Renewable Research, Development And Demonstration Activities:**

#### The Ellensburg Community Solar Project ("virtual net-metering")

BEF and the City of Ellensburg constructed a novel, replicable, community-based, solar electric project in order to, among other things:

1. Provide Ellensburg rate-payers with the opportunity to invest in locally produced renewable electricity without having to worry about maintenance, shading, or building ownership issues.
2. Offset the retail rate of power (like a traditional residential or commercial net-metered system), while capturing the scale benefits of a large installation.

Although the majority of the design and installation work was done during this prior reporting period, significant marketing and educational work continued in this current period, and BEF did not officially close the books on this project until March 31, 2007. Detailed information on this project can be found in BEF's previous progress report to BPA.

**MOA Charges for the Ellensburg Community Solar Project: BEF staff time and project hardware - \$2,289**

#### Building-Integrated Photovoltaics

BEF has chosen to categorize our BiPV efforts as RD&D. Though the BiPV approach has the potential to lower installed costs and improve aesthetics, the concept is still not widely implemented. During the reporting period, BEF continued to develop several new BiPV projects. Most significantly, BEF is partnering with the Portland Public School District to create the nation's first "net-zero" public school building (also the nation's first LEED platinum public school building). As de-

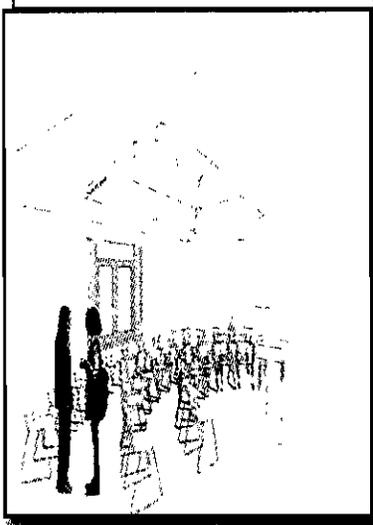
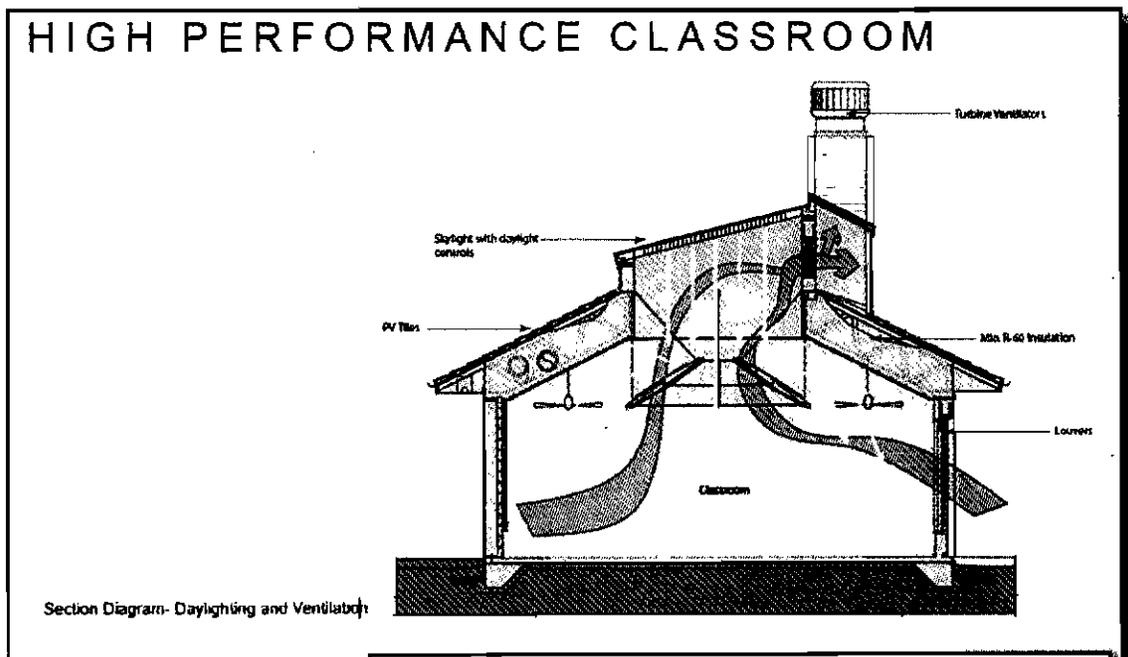
# Attachment 15

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signed, the building will incorporate 5-kW of building integrated PV panels and a host of ultra-efficient technologies to reduce energy consumption. Once the building is completed, the plans will be publicly available on BEF's website so that any interested school districts can emulate the groundbreaking project. Though BEF strongly supports the conservation efforts, our participation is limited to the design and installation of the building-integrated solar tiles.

The building features are as follows:

- Daylighting: Daylighting will beautifully illuminate the spaces. Daylight will enter the classroom through a large central skylight containing light modulating louvers. This filtered light is then re-



flected up onto the sloping ceilings by a suspended fabric reflector that also houses electric lights. The end result is an even distribution of light at the level of the occupants. Since electricity

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for lighting is one of the main energy draws for classroom spaces, this is an important feature in reducing energy consumption.

- **Insulation:** The envelope of the structure will be super-insulated and will be sealed against air leaks, reducing heat loss in the winter and heat gain from hot summer outdoor temperatures.
- **Passive cooling:** Added thermal mass will store heat during the day. At night exterior air louvers will let cooler night air pass over the slab, wicking away heat. In the skylight well, a damper will let air pass through ventilation chimneys to the exterior. Turbine ventilators are fixed to the outlets to provide weather protection and aid airflow.
- **Solar-Electric Tiles:** After all possible energy usage is minimized using the strategies above, a unique, building-integrated photovoltaic array on the south-facing roof will provide the electrical power used in the space. This array is comprised of 153 tiles that integrate into the roofing tile system, providing a power generating roofing assembly. The system has been sized to provide all of the building's electricity usage, making the building net-zero over the course of the year.

**MOA Charges for BIPV: BEF staff time and commissioning of report- \$7,512**

### Biomass

BEF continued its pre-development due diligence of the requirements for developing a forest biomass generating project of a scale that will permit deployment across the rural timbered areas of the PNW. Many of these are served by COU's, including the south central area of Oregon where BEF would likely site its project. Due diligence has included continuing review of commercially-available gasification and liquefaction technologies, and generators compatible with the biofuels that would be produced. BEF has identified potential partners including MidState Electric Cooperative, Central Oregon Intergovernmental Council, the US Forest Service, and private timber recovery and processing businesses. MOA's with several of these partners have been executed or are in process.

**MOA Charges for Biomass: BEF staff time and commissioning of reports- \$27,907**

### Wind Integration

The Regional Wind Integration Policy Committee, chaired by Steve Wright and Tom Karier, met in the summer of 2006 to adopt a work plan. Angus Duncan, BEF's President, is a member of the Policy Committee and of the Technical Committee on Flexibility Augmentation. In 2007 the project issued its first report to the region, concluding that while many issues had yet to be worked through, "there are no fundamental technical barriers to operating 6000 megawatts of wind in the Pacific Northwest." The project succeeded in identifying several opportunities for recovering system flexibility and adding to the region's ability to cost-effectively increase wind resource's contribution to the need for new renewable generation.

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### **MOA Charges for Wind Integration: BEF staff time-\$17,922**

#### Wave and Tidal Energy & Smart Grid

BEF invested a limited amount of staff time to explore the possibilities of Wave Energy in Oregon PUD service territory and potential "smart grid" application along the OR and WA coasts. To date this remains an early-stage exploration and we do not anticipate significant expenditures in the near future.

### **MOA Charges for Smart Grid: BEF staff time-\$1,595**

#### Analysis of PV Incentives in the Northwest

BEF's Solar 4R Schools projects are, by design, primarily educational in nature. BEF hopes, at some point, to generate significant amounts of electricity from these projects, while continuing to provide the same or greater educational value. Schools offer excellent locations for PV generation and most have rooftops that are free from shading issues. Generally, these facilities expect to remain in operation for the long term, and have an interest in stabilizing their power costs.

Despite the many reasons why larger-scale solar projects on schools make sense, the relative cost of solar electricity precludes us from installing larger systems, at the moment. The fact that non-profits and public entities are unable to take advantage of some significant tax incentives (e.g. federal tax credit, accelerated depreciation) contributes to the cost dilemma. As such, BEF is seeking to develop innovative financial models that allow schools to monetize such tax incentives. Based on the so-called "Minnesota Flip" model, where tax-motivated investors own the project during the initial period when the tax incentives are most valuable, BEF's financial model may significantly reduce the cost of installing large-scale solar projects on public and non-profit facilities, and are expected to be of particular usefulness to important BPA non-profit stakeholders such as consumer-owned utilities and tribal governments.

During the year, BEF spent significant time and effort to devise a legally and financially sound business model. We performed due diligence, along with consulting attorneys. We created financial modeling tools, and secured financial contributions from 3rd party funders such as Portland General Electric and PacifiCorp. Finally, we worked with engineers to consider the designs for the initial project (located on the East Portland Community Center).

### **MOA Charges for Analysis of PV Incentives in the Northwest: BEF staff time-\$15,899**

#### Update on Planned RD&D Activities (from previous Progress Report)

In the previous report, we listed various Renewable Research, Development And Demonstration Activities goals for this current period. These included:

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	Goal	Progress
1	Devise a financial model that will allow us to monetize all available federal, state, and local incentives for photovoltaic projects,	In progress
2	Work with the da Vinci Arts Middle School to design a state-of-the-art, "zero-emission", modular classroom.	In design phase
3	Work with Cowlitz PUD to install a BiPV project on the Science and Technology building on the campus of Cowlitz Community College	On-hold indefinitely
4	Provide additional data monitoring capabilities and marketing support to the Ellensburg Community Solar Project	Complete
5	Pursue a Community Solar Project with the City of Ashland	In progress
6	Complete technological due diligence on the proposed biomass (forest-fuel) project, and turn our attention to fuel supply issues	In progress

## **Current Renewable Education Program Activities:**

### Solar 4R Schools (S4RS) Program Improvement

- Curriculum Refinement

During the previous period, BEF refined the S4RS curriculum material, reorganizing the basic "classroom exercises" packet that each teacher champion is given upon entry into the program. This year, BEF's Educational Liaison initiated a more radical overhaul of the curriculum material, based on a newly formed Teacher Champion Advisory Committee (comprised, primarily, of teachers from within BPA territory). Taking the teachers' recommendations into account, and also working with some of the nation's leading renewable energy educational organizations (NEED, Energy For Keeps, DOE, University of Oregon, Oregon Institute of Technology, and the Oregon Teachers Association), BEF began to develop the highest quality, grade-level specific classroom activities available. The curriculum packet, in its current state, has been mailed to BPA. We anticipate that this new material will be ready for distribution during the following reporting period.

- Ongoing Teacher Support

By the end of the reporting period, nearly 50 schools were actively involved in the Solar 4R Schools program. As a result, BEF staff spent significant time communicating with the Teacher Champions. BEF's educational Liaison distributed the latest educational material, conducted teacher training sessions and answered curriculum-related questions. Other BEF staff communicated with school IT and facilities personnel as necessary to maintain system functionality.

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- Improvement to Standard Program Documentation

With each Solar 4R Schools project that BEF manages, we learn how to improve the installation and education processes, and we integrate these lessons into our project management system. Based on feedback from stakeholders, we modify our teaching materials, our training presentations, our contracts, and our standard host school communication documents.

In the past year, we tweaked our standard project host "Acceptance Letter" document to encourage cooperation from each important party at the school. By including a "Solar Supporters" section within this Acceptance Letter, and by requiring that the schools' Teacher Champion, Principal, IT Manager, and Facilities Manager signed this petition *before* being awarded a project, we have dramatically increased the cooperation from the host participants.

On the installation side, we modified our standard installation contract to require that each contractor incorporate extensive panel theft prevention measures into the installation process (e.g. tamper resistant bolts, tack welding). This additional clause should go a long way to securing each new project.

- Database Updates

BEF continued to make incremental improvements to the Project Management database in order to reduce the energy, time, and money required for each project. This year



*S4RS students build a solar panel from scratch*

we added additional functionality to the database so that we could more closely coordinate the three primary project management facets: installation, education, and public outreach. We are now tracking more detailed information on each project so that all BEF staff can access vital information at any time. By publishing and sharing key data points (e.g. contacts, target installation dates, target opening event dates, target teacher training dates) across staff, we streamlined the process. This coordination allows us to spend less time discussing the project details, and more time collaborating with the teacher champions on their educational efforts. Additionally, the database now records serial numbers and the precise on-site location of all major hardware components. This tracking system makes remote troubleshooting and maintenance far less daunting, and should make any future theft reporting more efficient.

**MOA Charges for Solar 4R Schools Program Improvement: BEF staff time-\$61,299**

**Internet-Based Monitoring for Small Renewable Projects**

The creation of a custom touch screen kiosk and the development of accompanying customized flash pages were the most significant enhancements to our data monitoring capabilities during the year. After two of our kiosk suppliers went out of business, we determined that it was in our best interest to design and manufacture (with the help of a local woodworker) our own. We discovered that we could produce more functional kiosks in a more timely manner at about half the price, so the decision was an

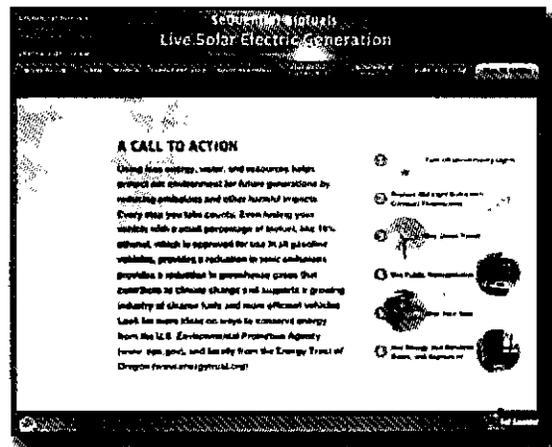
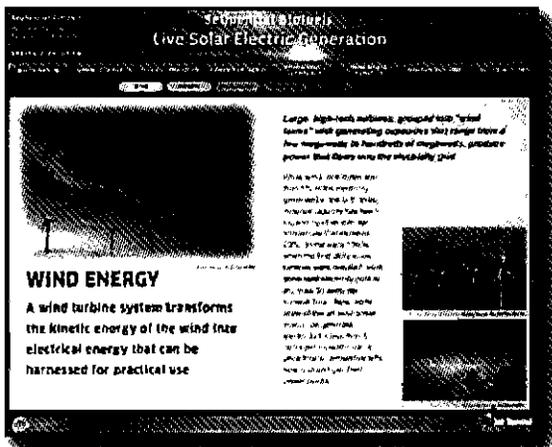
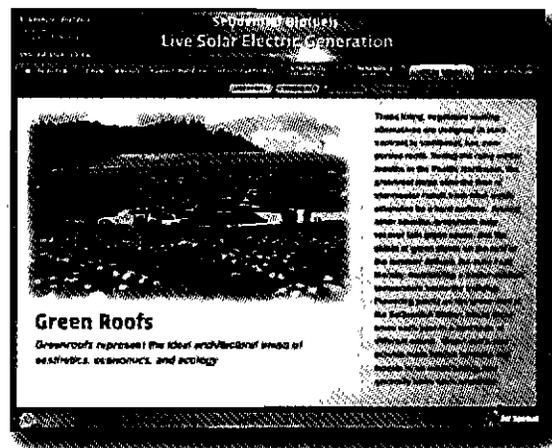
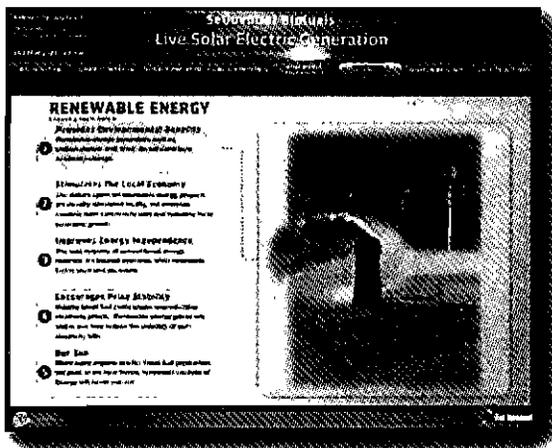
easy one. The kiosks, when combined with our new customized flash-animated informational pages, enhance the educational experience of our host schools, and serve as a primary means of informing the school community about the project details.



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Additional kiosk flash pages depict renewable energy technologies and their benefits, and encourage students to take action in their own communities



Of course, we continue to monitor and troubleshoot the the data monitoring systems for all of our existing projects. This task became much easier this year when we began using a tool called In-sight Manager to track system function.

Status	Name	Location	System Size	P.R.	Data Download
●	Toulo Lake High School	Toulo, WA 98727 US	1.7 kW	72%	View
●	UW Center for Urban Horticulture - Merrill Hall	Seattle, WA 98195 US	9.8 kW	-	View
●	UW Mechanical Engineering Building	Seattle, WA 98195 US	2.65 kW	-	View
●	WA State Capitol Building	Olympia, WA 98504 US	20.0 kW	◆	View
●	Walter Rolih Learning Center	Longview, WA 98632 US	1.1 kW	85%	View
●	Washington Middle School	Olympia, WA 98501 US	1.1 kW	71%	View
●	Washington MS (Seattle)				
●	Washington School for the Blind	Vancouver, WA 98661 US	13.6 kW	-	View
●	West Linn High School	West Linn, OR 97068 US	1.1 kW	-	View
●	West Salem High School	Salem, OR 97304 US	2.8 kW	~	View
●	West Salem HS - Wood	Salem, OR 97304 US	2.4 kW	29%	View
●	Western Washington University	Bellingham, WA 98225 US	1.98 kW	44%	View
●	Willamette High School	Eugene, OR 97401 US	2.4 kW	-	View
●	Wilson Thomas Wilder School	American Falls, ID 83211 US	1.7 kW	84%	View
●	Wood River HS/Comm Campus	Halley, ID 83333 US	1.1 kW	-	View

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- Web-Based "Solar Classroom"

In order to enhance the educational value of the S4RS projects, BEF previously created a web-based Solar Classroom that allows students and teachers to access the live and historical data from their projects, and to compare system performance to that of other schools in the program. In the current year, BEF devised plans to substantially increase the functionality of this site, and created a design document that outlines the technical and educational requirements for the second generation of this web portal.

**MOA Charges for Internet-Based Monitoring: Project hardware and BEF staff time-\$31,245**

### Educational Assistance to Public Utilities and Regional Stakeholders

- Puget Sound Green Power Awareness Campaign

BEF worked with Tacoma Power, Seattle City Light, Snohomish PUD, and Puget Sound Energy to launch a Green Power Awareness Campaign modeled on the highly successful 2004 campaign. We ran another highly successful campaign during the year, increasing utility signups significantly. The campaign again received a national Green Power Beacon Award at the national Green Power Marketing Conference. BEF intends to launch a similar campaign for Spring 2008.

- Oregon Municipal Electrical Utilities

At the request of the Oregon Municipal Electrical Utilities (OMEU), BEF joined other presenters in briefing OMEU members on offset/RECS options for complying with Oregon's new Renewable Portfolio Standard.

BEF's President, Angus Duncan, also undertook various educational activities to benefit regional stakeholders during this reporting period. Such activities included preparing and delivering presentations on renewable energy technologies, economics, and public policies to numerous Consumer-Owned Utilities and other regional stakeholders. Copies of these presentations are available upon request.

Mr. Duncan also spent significant time participating in other regional educational activities not charged to the BPA MOA. These activities include his participation in:

- State and regional task forces (e.g., Oregon Governor's Renewable Energy Working Group [REWG]; Governor's Carbon Allocation Task Force; Energy Trust of Oregon's Renewables Advisory Committee);
- Wind Integration Project's Policy Committee proceedings leading to the NW Wind Integration Action Plan adopted in 2007

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**MOA Charges for Educational Assistance to Public Utilities and Regional Stakeholders: BEF staff time-\$16,256**

### Last Mile Electric Cooperative (SAME) Angus LMED Board

Mr. Duncan continued to support the LMEC, attending Board meetings. (Note: No time spent as a member of the White Creek Participants' Committee supporting development of the White Creek project was included in this category.)

**MOA Charges for LMEC-Related Educational Support: BEF staff time-\$1,751**

### Update on Renewable Education Activities (from previous Progress Report)

In the previous report, we listed various Renewable Education Activities goals for this current period. These included:

	Goal	Progress
1	Retrofit 5 existing projects in the City of Ashland with data monitoring systems	Projects underway
2	Improve the content and delivery of our school educational materials on an ongoing basis, and provide better support to teachers participating in the S4RS program	Complete (and ongoing)
3	Add functionality to our web-based "Solar-Classroom"	In process
4	Design customized, less expensive project kiosks	Complete
5	Develop additional flash-animated kiosk pages to inform students about renewable energy	Complete
6	Create a PowerPoint (or similar) presentation so that public utilities in the Northwest can better understand what the S4RS program entails	Complete
7	BEF will devise a plan to deliver renewable energy	Complete
8	Deliver educational material to schools in Seattle City Light territory.	Complete (and ongoing)

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Progress Report to the Bonneville Power Administration-Renewable Energy Activities October 2006-September 2007

### **Anticipated Activities**

#### **Anticipated Direct Application Renewable Resource Activities:**

##### The Northwest Solar Co-op

We anticipate that the solar co-op will continue to grow. We intend to work with the co-op to ensure that this growth is accomplished in a way that addresses the needs of all parties in the chain of ownership.

##### The Northwest Wind Co-op

We anticipate continuing to provide a modest amount of support for NW SEED in their efforts to educate the public regarding the use of small wind technology in the Northwest.

##### PV Demonstration Projects

During the period, we talked extensively with, among others, Seattle City Light, Clark Public Utilities, and Snohomish PUD, about collaborating on new renewable energy demonstration projects. Those discussions laid the groundwork for future projects, many of which will be detailed in BEFs next report to BPA.

We will also detail the completions of the Toutle Lake High School, Wake Robin Learning Center, and West Salem Small-Wind data monitoring projects

#### **Anticipated Renewable Research, Development And Demonstration Activities:**

##### Analysis of Solar Incentives in the Northwest

BEF will continue to offer Solar 4R Schools projects in COU territory, but we also plan to make available the option of larger scale solar projects to schools and other community (non-profit) facilities through tax-advantaged financing tools. We hope to install one or two initial projects, using this model, in the upcoming reporting period.

##### Building Integrated Photovoltaics (BiPV)

In the coming year, BEF hopes to work with the da Vinci Arts Middle School in Portland to bring the state-of-the-art, "zero-emission", modular classroom project to fruition.

##### Community Solar Projects

BEF will continue to provide support to the City of Ashland's Community Solar Project.

## Attachment 15

Progress Report to the Bonneville Power Administration-Renewable Energy Activities October 2006-September 2007

### Biomass

In the 2007-2008 period, BEF will complete technological due diligence on the proposed biomass (forest-fuel) project, and will identify fuel supply partners and issues associated with long-term fuel supply contracts. Siting of an initial unit in association with a potential co-generation heat host is a principal goal. Initial discussions around financing will be initiated, as will legal analysis of project structure and requirements to leverage state and federal tax benefits. BEF hopes to complete the pre-development/RD&D evaluation phase in 2008-2009 and to decide, at that point, whether to field a demonstration unit in 2009.

### Wind Integration

As Oregon and Washington both have adopted Renewable Portfolio Standards that govern both IOU's and COU's, and both states are joined by Montana in the Western Climate Initiative, the need to increase system flexibility to accommodate additional demands for low-carbon, renewable resources, has not abated. The next set of tasks for this Project will focus on new storage and control technologies that can augment the system's inherent flexibility and accommodate still greater penetrations by wind and other intermittent renewable technologies.

### **Anticipated Renewable Education Program Activities:**

#### Data Monitoring Retrofits-

We have firm plans to upgrade 5 existing projects in the City of Ashland with data monitoring equipment.

#### Enhance the Solar 4R Schools Program

- BEF's Educational Liaison plans to:
  1. work with content and copy editors to make our school curriculum more professional
  2. match the lesson plans in the curriculum with state education standards
  3. devise renewable energy "classroom toy" packages for various grade levels. The packages might include learning toys such as solar race car and model wind turbine kits
  4. write and distribute a quarterly Solar 4R Schools newsletter geared towards the Teacher Champions in the program
  5. assess and select remote training tools so that the teacher training sessions can be delivered on-line when necessary
  6. continue to enhance the Solar4RSchools.org website

## Attachment 15

Progress Report to the Bonneville Power Administration-Renewable Energy Activities October 2006-September 2007

### Regional Puget Sound Green Power Awareness Campaign

BEF intends to launch another campaign with Tacoma Power, Seattle City Light, Snohomish PUD, and Puget Sound Energy in Spring, 2008.



**BONNEVILLE  
ENVIRONMENTAL  
FOUNDATION**

ANNUAL REPORT

# FY 2010

April 1, 2009-March 31, 2010

Bonneville Environmental Foundation is a nonprofit that pioneers entrepreneurial solutions to remedy the earth's most pressing energy, water and climate concerns.

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To our friends,

Thanks to the thousands of people like you who share and support our goals for a healthier environment, we've had another amazing year at BEF.

Here are some of our most exciting accomplishments in Fiscal Year 2010:

- ▶ Our customers bought over **one million Renewable Energy Certificates and Carbon Offsets**, keeping over 700,000 metric tons of CO2 out of the air.
- ▶ We created a new market-based mechanism for restoring water to critically dewatered streams, **returning over 11,000 acre feet of water** to streams in Oregon and Montana.
- ▶ We completed **55 more solar projects** on schools and community buildings.
- ▶ We added **two more Model Watersheds** in Idaho, Wyoming, and California and are developing partnerships on seven tributaries of the Upper Willamette River.
- ▶ BEF Renewable, Inc. completed large **solar and methane digester** projects.
- ▶ We won **three national awards** for our work.

In our biggest innovation this year, we harnessed market mechanisms to make it easy for individuals and companies to restore water to critically dewatered streams. The BEF Water Restoration Certificate™ debuted during the summer and since then, has helped secure more than 3.5 billion gallons of water for streams in Oregon and Montana.

We also initiated partnerships with two more Model Watersheds this year. These new 10-year agreements create exciting opportunities to share strategies and help improve more watersheds. The Teton Model Watershed straddles the Idaho and Wyoming border, while the Mattole Model Watershed is in northern California. And we're working with groups in tributaries of Oregon's Willamette River in an exciting partnership with Meyer Memorial Trust.

BEF was honored with three national awards for our work this year: the Green Power Supplier of the Year from the U.S. Department of Energy, the Green Power Education Outreach Program Award from the Center for Resource Solutions, and the Annual Innovation Award for a K-12 Project from the Interstate Renewable Energy Council.

As always, BEF will continue to support and develop renewable energy, increase educational opportunities, and expand our work in watershed restoration. We are thankful for all we've accomplished this year and look forward to another exciting year ahead.



Best regards,

A handwritten signature in cursive script that reads "Margie Gardner". The signature is written in dark ink on a white background.

**Margie Gardner, CEO**

## WATER RESTORATION CERTIFICATES

BEF's Water Restoration Certificates program restored over 11,000 acre feet of water flow to streams in Oregon and Montana. That's enough water to cover 3,856 football fields in one inch of water or fill 5,770 Olympic size swimming pools. Averaged over three months during the driest part of the year, this restored about 65 cubic feet per second of instream flow.

### Blue is the new Green

Water is key to life. Everyone is linked to each other and the planet by the need for water. However, this essential resource is often wasted. And as droughts, water rationing, and water pollution become more common, scrutiny over our water use is increasing. Unfortunately, there are far more rights to use and consume water in the western U.S. than there is water in our streams, rivers, and lakes.

As a result, ever-mounting pressures to use water are leaving many important rivers and streams dry or chronically dewatered. In fact in the summer, the Prickly Pear and the Upper Deschutes used to run completely dry.

One of BEF's proudest accomplishments this year was the development of a market-based solution to address the growing water crisis. With over a decade working to restore watershed health, BEF had experienced the problems and had the knowledge to come up with a solution: Water Restoration Certificates™ (WRCs).

The WRC is a simple mechanism that allows people to actually do something to address the problem – by putting water back into critically dewatered streams. WRC purchases provide an economic incentive for water rights holders to dedicate some water to the river. More importantly, they help landowners balance their own needs with those of the environment. With more water staying in rivers and streams, water



Middle Deschutes River

quality improves, fish and wildlife habitat is enhanced, and there's more water for fishing and recreation.

The first three streams whose water has been secured in this initiative were Evans Creek, draining into the Rogue River in Oregon; Prickly Pear Creek, which flows into Lake Helena in Montana; and the Middle Deschutes, a 3S-mile section of the Deschutes River running between the city of Bend and Lake Billy Chinook in Oregon.

► *"A TRUE FREE MARKET REQUIRES US TO PROPERLY VALUE NATURAL RESOURCES. THESE WATER RESTORATION CERTIFICATES ARE ANOTHER GREAT EXAMPLE OF HOW BEF USES ITS INTEGRITY AND INNOVATION TO CREATE A MARKET-BASED SOLUTION FOR AN ENVIRONMENTAL ISSUE."*

ROBERT F. KENNEDY, JR., ENVIRONMENTAL LEADER AND ACTIVIST

## Attachment 16

*"I'M EXCITED TO SEE A PRODUCT THAT SO ELEGANTLY ADDRESSES ONE OF EARTH'S MOST PRESSING PROBLEMS – OUR LOOMING FRESH WATER CRISIS."*

DENIS HAYES, CHAIRMAN INTERNATIONAL EARTH DAY NETWORK, PRESIDENT BULLITT FOUNDATION



**Prickly Pear Creek Before Restoration**

—Photo credit: Rankin Holmes



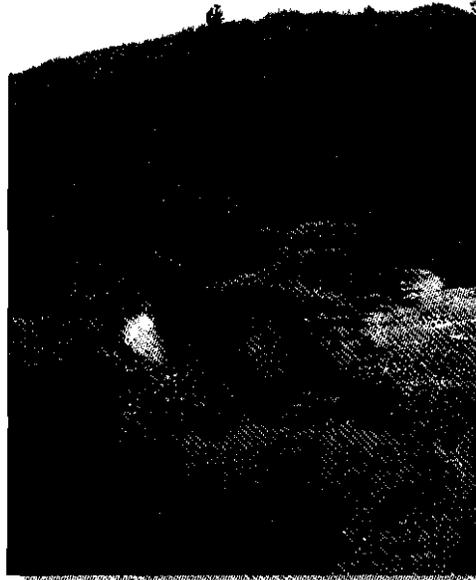
**Prickly Pear Creek After Restoration**

—Photo credit: Rankin Holmes

BEF's WRCs are the first and only water restoration solution that is certified, standardized, inventoried and ready to buy.

and 1990s

- In the 1980s, the federal government passed the Clean Water Act, which required states to meet certain water quality standards.
- The Clean Water Act also established the National Sanitation Foundation, which provides technical assistance to states.
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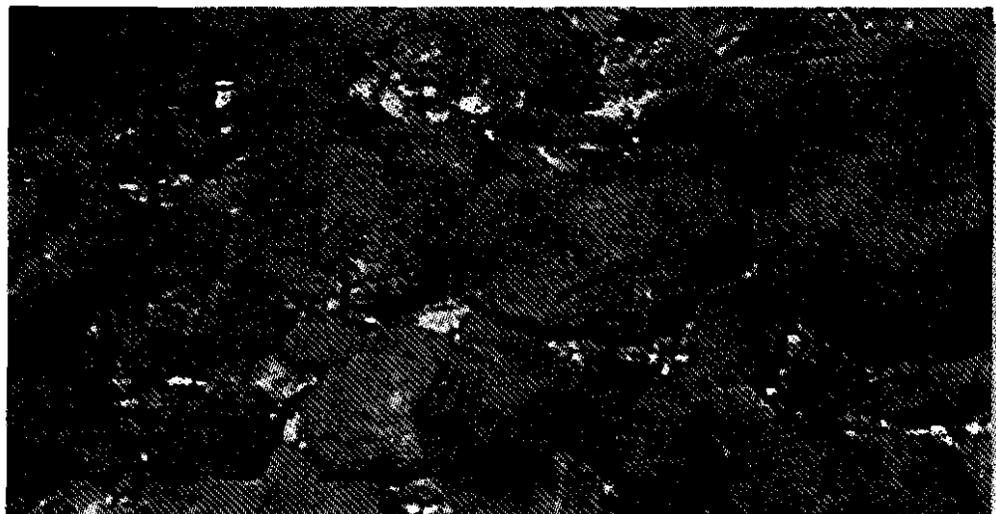
Evans Creek

every year using water from the already dewatered Evans Creek – one in spring and one in summer. In the spring, there was plenty of water from melting snow. But in the summer, the hay crop was marginally productive and using the water dried up the creek – a real lose-lose situation.

Unfortunately, the way Western Water Law is written, if Martin did not put his water to "beneficial use," he could lose his water rights, thus devaluing his property, and allowing another water rights holder to use the water instead. If this happened, the creek would still be dry and Martin's property would decrease in value. This was not going to work.

The good news is that in Oregon, the definition of "beneficial use" includes dedicating one's water rights to the stream. This is where BEF and our partner the Freshwater Trust, enter the picture. BEF contracted with Freshwater Trust to maintain an agreement with Martin: he would agree not to use his irrigation water during the driest part of the summer, officially leasing the water to the stream, to increase low flows and provide for fish and wildlife. The result? Water is kept in the stream in late August and has led to a thriving population of juvenile steelhead. Pretty remarkable.

For many years, Evans Creek has run nearly dry in the summer because more water rights are allocated than there is water in the stream. Fortunately, Lawrence Martin, who has lived on Evans Creek for years, is one of the water rights holders. Martin used to grow two crops of hay



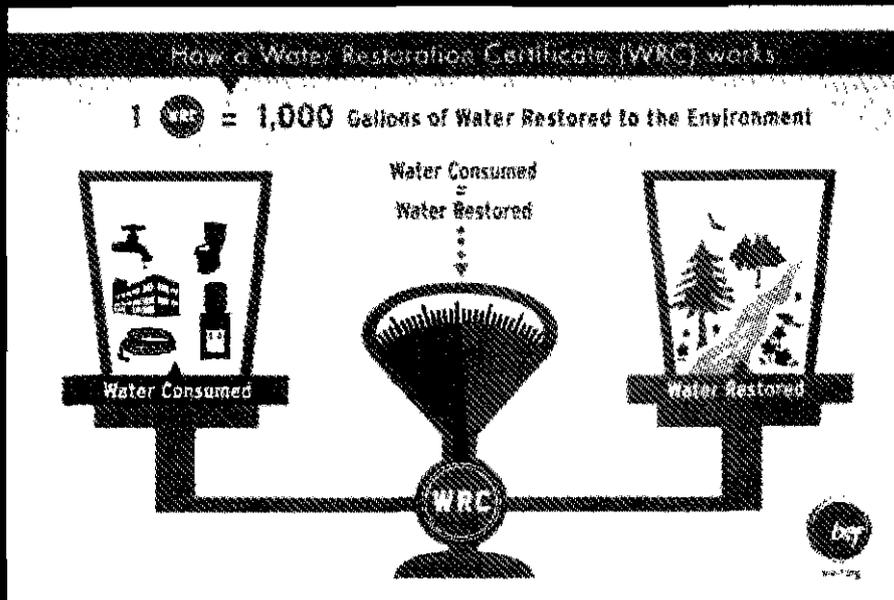
Juvenile Steelhead in Evans Creek

*"BEF'S PROGRAM OFFERS AN INGENUOUS, MARKET-BASED SOLUTION THAT RESTORES CRITICALLY DEWATERED STREAMS, WHILE PROVIDING REAL VALUE FOR BUSINESSES, FARMERS, COMMUNITIES, AND LAND-OWNERS."*

RALPH CAVANAGH, CO-DIRECTOR ENERGY PROGRAM, NRDC, VICE-CHAIRMAN, BEF BOARD OF DIRECTORS

## ▶ HOW IT WORKS:

- Each WRC represents 1,000 gallons of water that BEF will return to critically dewatered streams through supply contracts with local Water Trusts.
- Individuals and businesses purchasing a WRC are ensured that 1000 gallons of water will stay in a stream that needs them.
- The landowner with the water right can leave that 1000 gallons in the stream and still maintain the water right.
- The standards and criteria for each WRC project are certified and endorsed by the National Fish & Wildlife Foundation to ensure that water is returned at a time and place that will produce real environmental benefits.
- BEF Water Restoration Certificates are numbered in an online registry and independently audited to make sure that the water is never double counted.
- BEF's WRCs are the first and only water restoration solution that is certified, standardized, inventoried and ready to buy.



**POWERING THE CHANGE TO CLEAN ENERGY**

BEF has helped and provided in FY 2010 our customers helped one million carbon offsets and 100,000 metric tons of CO2 out of the atmosphere. We were also honored by the U.S. Department of Energy as a 2010 Clean Energy Supplier of the year award.

**Two ways to curb carbon**

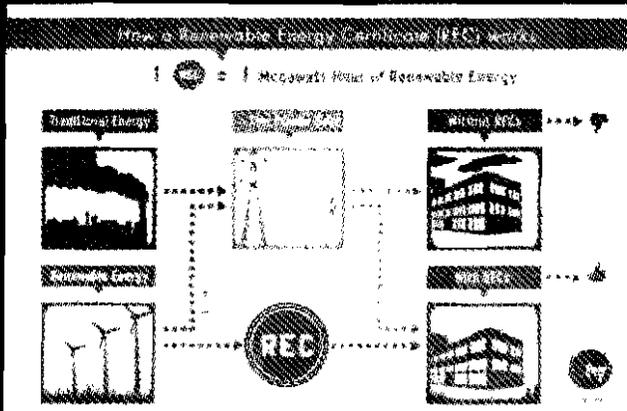
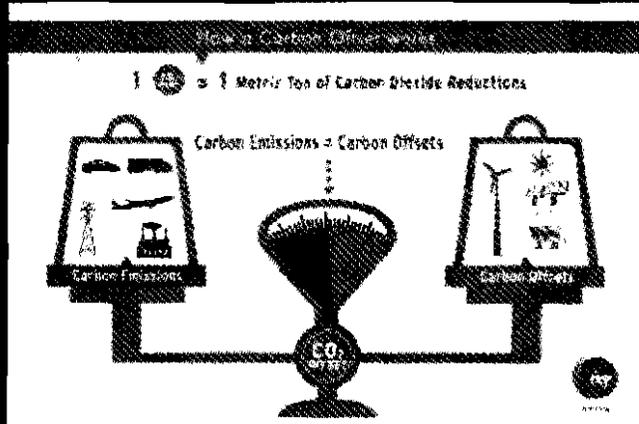
For over a decade, BEF has worked to clean up the air by supporting renewable energy projects. We were instrumental in developing the White Creek Wind Farm in Eastern Washington, the largest public wind energy project. We participated in the largest solar array at the

time - White Bluffs at Hanford. And in FY 2010, we continued developing groundbreaking wind, solar and biogas projects through the sale of renewable energy certificates and carbon offsets and through our subsidiary, BEF Renewable, Inc. Here are some of our stories.

**▶ HOW IT WORKS**

BEF offers two carbon solutions for companies and individuals looking to take responsibility for their carbon emissions. Both support projects across North America and are great ways to go beyond just offsetting a carbon footprint.

1. BEF Carbon Offsets represent the capture and reduction of harmful greenhouse gases emitted from sources such as animal waste, landfills, or refrigerants. Types of carbon offsets include renewable energy projects and biogas projects that capture and flare methane gas from animal waste or landfills. One carbon offset represents the reduction of greenhouse gases equal to 1 metric ton of carbon dioxide. BEF Carbon Offsets can be used to balance the carbon emissions from activities such as air travel, commuting, and shipping.



2. BEF Renewable Energy Certificates (RECs) represent renewable energy from sources such as wind, solar, or biogas projects where clean energy has been delivered into the North American power grid to reduce carbon emissions from existing fossil fueled power plants. One REC represents the environmental benefits of 1 megawatt hour (MWh)

of renewable electricity generated and delivered to the power grid. BEF RECs can be used to offset the carbon emissions from electricity use.

*"I THINK BEF HAS A HUGE ROLE TO PLAY IN CARRYING THE MESSAGE OF DOING THINGS DIFFERENTLY IN THIS COUNTRY, BECAUSE THAT'S THE ONLY WAY THAT BEF'S GOALS AND OUR GOALS ARE GOING TO BE REALIZED."*

JOHN SAYRE, EXECUTIVE DIRECTOR, NORTHWEST CHINOOK RECOVERY AND QUALCO ENERGY PARTNER

#### Turning poo into power

Dairy waste can be used to generate electricity, act as a catalyst for environmental change, and at a dairy farm in Monroe, Washington, it can turn old rivals into long-time friends. They call themselves Qualco Energy – a nonprofit corporation formed to develop renewable energy from dairy waste and to restore fish habitats within the Snohomish River basin. Or, as dairyman and Qualco Energy partner Andy Werkhoven puts it, "We're taking a lot of the yucky things in life and turning them into good things."

One of those 'yucky things' is cow manure, and the 1,000 cows on Werkhoven's family dairy farm create a lot of it. Some of that waste was seeping into the Skykomish River. And about 10 years ago, Werkhoven's neighbors began to take notice. "Our closest neighbors are the Tulalips," Werkhoven said, referring to the historically fish-dependent Native American Tribe of the Tulalips. "They have fish on one side of the water line and we have cows on the other."

The Skykomish River is listed by the State of Washington as an "impaired water body" for its high levels of nutrients and bacteria. The Tulalip Tribe has fishing rights to the Chinook salmon that spawn in the river, and they became concerned when the numbers of fish started to decline. Many in the Tulalip Tribe began looking at the dairy farmers' practice of over-fertilizing their fields as a likely culprit. When dairy farmers use raw manure to fertilize, the excess can leach into nearby streams and rivers.

Daryl Williams, the environmental liaison for the Tulalip Tribe, said the Tulalip people have always been fishermen and wanted to maintain that heritage. "Previously, we hadn't been working with the dairy community in this area for several years," Williams said. "We weren't fighting with each other, we just weren't talking with each other."



One of Andy Werkhoven's Cows

Such civility is not common between dairy farmers and Native American groups in Washington State, said John Sayre, Executive

Director of Northwest Chinook Recovery and Qualco Energy partner. "In the rest of the state, you had tribes, farmers, and environmentalists all at each other's throats," he said.



John Sayre

But instead of going down that often-travelled path, representatives from these disparate groups began meeting together to work on a solution. They found it in the form of a biodigester.

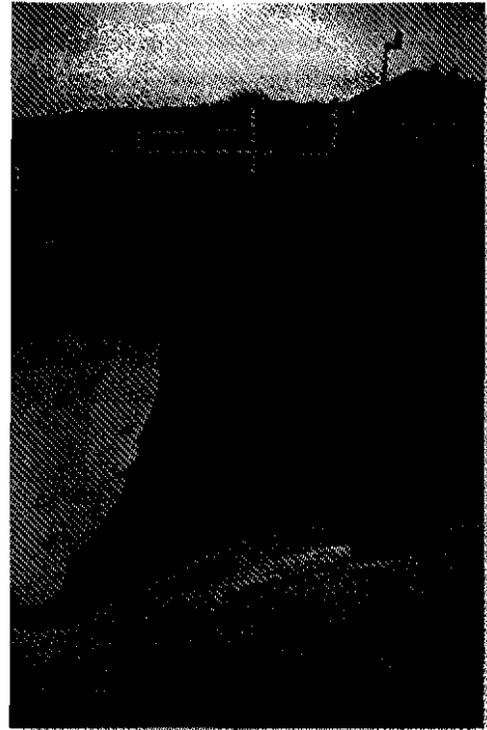
BEF helps finance the Qualco Energy biodigester project by contracting to buy the Carbon Offsets that are created by flaring the methane.

BEF helps finance the project by contracting to buy the Carbon Offsets that are created by the flared methane. Proceeds from reselling these certificates and offsets in the voluntary market go to fund more renewable energy and education projects.

Biodigesters take animal and other organic wastes such as inedible eggs, cheese curds, and fish blood that would normally be dumped in a landfill and mixes them together – collecting the methane gas that is emitted. “It’s like a big percolating stomach with a 26-day retention time,” said Werkhoven. The methane gas can be used to fuel an electric generator and/or flared to reduce greenhouse gas emissions.



Qualco Energy biodigester near Monroe, Washington



Egg waste pouring into biodigester

BEF helps finance the project by contracting to buy the Carbon Offsets that are created by the flared methane. Proceeds from reselling these certificates and offsets in the voluntary market go to fund more renewable energy and education projects.

business venture. “We’ve really developed a friendship out of this that extends outside of working on this project,” he said.

“After eight years of working in a relationship, I think we’ve put together a business plan



Andy Werkhoven

and a business that makes sense,” said Werkhoven. His partners in the project agree.

“We’re demonstrating that people do have a

common interest and can work together,” said Sayre. And Daryl Williams of the Tulalip Tribe said the project has become more than just a



Daryl Williams

Still, more work is to be done. Future plans include expanding the system to create more energy and developing more relationships with dairy product producers that could use the biodigester to remove waste from area landfills.

**“AT THIS TIME, WHEN GLOBAL WARMING HAS BECOME A MOST URGENT CHALLENGE FOR US ALL TO ADDRESS, THE ROLE OF BEF HAS BECOME ONLY MORE CRITICAL. THANK YOU FOR YOUR LEADERSHIP IN THIS IMPORTANT ARENA.”**

MARGIE HARRIS, EXECUTIVE DIRECTOR, ENERGY TRUST OF OREGON, INC.

**BEF Renewable, Inc.**

**A for-profit that's for the greater good**

As a vehicle for large projects, our for-profit subsidiary, BEF Renewable, Inc., dramatically increases BEF's capacity for catalyzing renewable energy development by enabling access to Federal and State tax incentives. BEF Renewable, Inc. supports renewable energy and reduces greenhouse gases through the development of projects that promote new renewable energy technology and works with underserved markets such as nonprofits and municipalities.

In FY 2010, BEF Renewable, Inc. completed a 267 kW solar project at a Portland Water Bureau groundwater pumping site and an 85 kW solar energy project at the East Portland Community Center. The aquatics facility at the East Portland Community Center is the first of its kind to achieve LEED Platinum status. Its PV panels on the roof are expected to provide 15 percent of the building's total annual energy. Another six panel solar thermal installation heats water for the showers. The two solar projects were

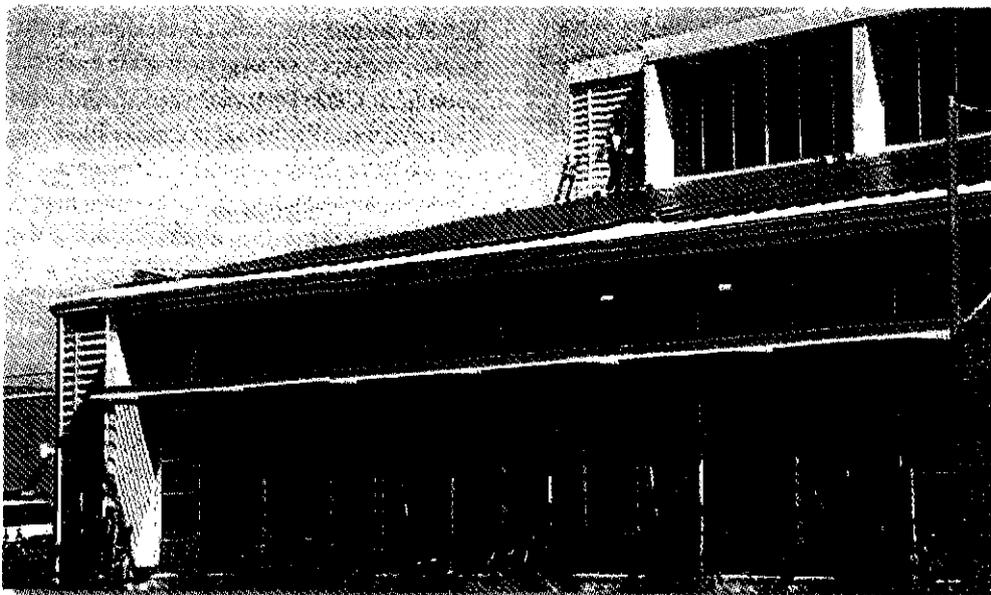


Alice Bray with Portland Water Bureau solar array



Margie Gardner dedicating East Portland Community Center  
—Photo credit: Teagan Walden

funded 80 percent by investors and 20 percent by grants. Participants included the Energy Trust of Oregon and Portland General Electric.



East Portland Community Center—Photo credit: Teagan Walden

BEF Renewable, Inc. is participating in the development of innovative biogas and landfill gas projects in Oregon and Colorado.

• The tires act as a medium for keeping the bacteria-containing biomass in the digester, improving the treatment efficiency and performance of the system. The farm was chosen in large part because of its commitment to corporate social responsibility, including reducing its environmental footprint. Located on 93,000 acres, the farm combines crop farming and dairy operations. A 23,000-acre conservation area has been established to protect irreplaceable habitat and the species that depend on it. The farm also has a large impact on the local economy, employing 300 full-time and up to 400 seasonal workers, with a \$10 million payroll and a \$250 million annual economic impact in Morrow and Gilliam counties. But the real stars of the show are Threemile Canyon Farms' dairy cows that feed the innovative methane digester with the manure they create every day. In February 2010, the biodigester began using the renewable methane given off by the manure to fuel an on-site boiler at the facility.

Another BEF Renewable, Inc. project is the groundbreaking Threemile Canyon Farms Methane Digester Project near Boardman, Oregon. This biodigester demonstrates a modern, more efficient, and less costly digester technology that uses thousands of old tires.



Hole excavation for Methane Digester

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Methane Digester under construction

Threemile Canyon Farms is a learning lab. Right now, they're testing the efficiency of a new design using cast-off tires. A functioning biodigester here can become a model for smaller farms throughout the region. The Threemile Canyon Farms Methane Digester Project is a partnership with BEF, NW Natural, The Climate Trust, and J-U-B Engineers. J-U-B Engineers, a 300-member civil engineering firm with 14 offices in 4 Western states, provided the patented design and project construction management, and will implement and oversee the monitoring plan.

BEF Renewable, Inc. is also participating in the development of a small project at the Larimer County Landfill in Colorado in a joint effort with Larimer Energy Partners, the Climate Trust, and the Colorado Carbon Fund. The project is still under development, but the methane destruction began late in 2009.



Threemile Canyon Farms Methane Digester Project

*"THE SALE OF CARBON CREDITS FROM OUR PROJECTS IS AN INTEGRAL PART OF LARIMER ENERGY'S BUSINESS MODEL FOR SMALL LANDFILL GAS-TO-ENERGY PROJECTS. THE FINANCIAL VIABILITY OF SMALL PROJECTS RISES OR FALLS ON THE SUCCESSFUL MARKETING OF CARBON CREDITS."*

GREG TILDEN, LARIMER ENERGY PARTNERS

Although our portfolio changes all the time, our supply of RECs comes primarily from wind farms, biodigesters, and solar projects from

Alaska to Texas, representing over 1,800 MW of renewable energy capacity.



Cows lounging at Foote Creek Wind Farm

# CUSTOMERS AND STORIES

*WE'VE SEEN  
SUSTAINABLE  
BUSINESS  
PRACTICES  
DOING THE RIGHT  
THINGS IN THE  
MOST EFFECTIVE  
WAYS  
TO MAKE A DIFFERENCE  
AND THROUGH SPONSORING  
THESE EVENTS WE'VE MET  
THE LEADERS OF THE  
INDUSTRY AND  
DISCOVERED  
NEW OPPORTUNITIES  
FOR OUR PARTNERSHIP  
TO GROW.*

### All In the family

What do the Virgin Mobile, Oregon State University, and the State of Oklahoma all have in common?

They, along with over 400 other organizations, all work with BEF to mitigate the impact their activities have on the planet's resources.

United by their interest in sustainability and a commitment to developing clean, nonpolluting, renewable sources of power, our corporate, nonprofit, and government partners are making great things happen. In the last year alone, our partners were responsible for generating 1 million megawatt hours of clean, renewable power. That's enough energy to power all the homes in a city the size of Boise, Idaho; Chandler, Arizona; or Greensboro, North Carolina for an entire year.

For those not intimately involved in the voluntary market for carbon offsets and renewable energy certificates, you'll be surprised to hear that according to the National Renewable Energy Laboratory, nearly 1 million individuals, businesses, and institutions across the U.S. have voluntarily purchased renewable energy in 2008. Together, these voluntary purchases support 24 million megawatt hours of renewable energy



BEF Staff set up trade show booth

from sources like wind, solar, and biomass. That's equivalent to all the electricity needs for the states of Hawaii, Alaska, and Vermont combined.

BEF is incredibly proud of our customers, who increased their commitment to RECs and carbon offsets over the last fiscal year. That's right, their purchases actually grew in a recession! So, despite the doom and gloom news about the state of the stock market and housing market, the voluntary market for renewable energy is very bright.

Here are a few anecdotes about some of our corporate partners and why they chose to support renewable energy and BEF.

**Terra Nostra Organic**

- Offsets electricity use since 2008
- Supports enough wind energy to power approximately 50 homes for one year
- Brands its chocolates with on-packaging information showing its support of renewable energy

**Challenge:**  
KFM Foods International wanted to promote the fact that they buy enough RECs to offset 100 percent of the electricity used to make their Terra Nostra Organic Chocolates and their private label chocolates for the Wild Harvest Organic brand.

**Solution:**  
KFM and BEF worked to put the BEF Clean Energy Seal on KFM's packaging to show consumers they're committed to supporting the production of clean energy. The BEF Clean Energy Seal proved to be an easy and effective way to communicate the company's commitment to clean energy.



**"WE TAKE GREAT PRIDE IN ASSOCIATING OURSELVES WITH A NONPROFIT FOUNDATION WITH BOTH VISION AND LEADERSHIP IN THE EMERGING RENEWABLE ENERGY MARKET."**

ELLEN W. FEENEY, VP RESPONSIBLE LIVELIHOOD, WHITEWAVE FOODS COMPANY



**Silk Soymilk**

- Offsets all electricity since 2003
- Promotes wind energy on product packaging
- Four-time winner EPA Green Power Partnership Award



**Challenge:**

Launched in 1978 with a desire to create healthy foods that change lives and the world, Silk takes its mission seriously. In addition to their responsible soybean sourcing program, Silk was one of the first consumer products brands in the country to embrace renewable wind energy. Since 2003, Silk has partnered with BEF to offset the electricity used to create their tasty products with BEF's Green-e Energy Certified Renewable Energy Certificates. Over the last 7 years, Silk has supported the development of enough wind energy to power over 28,000 homes for an entire year. In 2007, Silk decided to take their support of wind energy to a whole new level - they sought to engage their customers and the general public in an interactive, national promotion featuring wind power.

**Solution:**

Silk's internal marketing team worked with their outside PR and marketing agencies to create the "Green Caps for Green Energy" promotion. For three months in the spring of 2007, consumers who purchased specially marked, green-capped cartons of Silk could visit a promotional website and enter the UPC code for a chance to win a green home make-over. For every UPC code entered, Silk purchased a day's worth of wind energy from BEF to green each participant's home electricity for the day. Over the course of 3 months, Silk's promotion generated over 100,000 entries, was featured on *The Today Show*, and won a Bronze Reggie Award from the Promotion Marketing Association. The promotion was so successful that Silk is currently running the third iteration of the promotion.

BEF provided marketing support to Silk's PR and interactive marketing agencies throughout each of the three Green Caps promotions. The Vice President of BEF's Climate Business Group, Patrick Nye, served as a national spokesperson for the promotion.

**US Green Building Council LEED**

- Offsets all electricity since 2003
- BEF has a LEED accredited professional on staff
- BEF has provided RECs for over 15 distinct LEED projects since 2005
- BEF RECs qualify for a second credit through the Innovation and Design credit criteria



**City of Los Angeles, CA**

**Challenge:**

The City of Los Angeles needed quality Renewable Energy Certificates (RECs) at a competitive price for two of its LEED projects: The City of Los Angeles Bomb Squad Building and the Hollenbeck Police Station.

**Solution:**

The city looked to BEF to help make this project possible by providing Los Angeles with RECs that were affordable and reliable. When the buildings were completed, Los Angeles earned points for Energy and Atmosphere Credit 6 as well as Innovation in Design Credit 4 for purchasing 100 percent renewable energy on a 2-year contract.



► Congratulations to BEF and The North Face, who were inaugural winners of the Association for Retail Management's Sustainability Award in March/April 2009. The highest honor was awarded to retail projects that combined comprehensive sustainability programs and good design.



► **The North Face**

- Offsets all electricity & natural gas since 2008
- Supports enough wind energy to power over 3,000 homes for a year
- Promotes wind energy in The North Face retail stores



**We get dirty,  
but run clean.**

The store supports local wind farms.



**Challenge:**

Sustainability and conservation form the core of The North Face's pledge to advance the well-being of the planet, its citizens, and those who enjoy exploring it. It's no surprise that The North Face chose BEF's Green-e Energy Certified Renewable Energy as a cornerstone of its sustainability strategy. In fact, in 2009, The North Face purchased enough wind energy from BEF to match 100 percent of the electricity use and natural gas emissions of its North American Headquarters, all 29 retail outlets, plus its U.S. and Canadian distribution facilities. But for the brand that vows to "Never Stop Exploring" this wasn't enough. The North Face looked to BEF for help to inspire its customers to follow suit.

**Solution:**

In spring 2009, BEF was tasked to create a communications campaign that would inspire The North Face's customers to support renewable energy. To achieve this, BEF assembled a team well versed in both outdoor sports and sustainability. During the following weeks, the "We Get Dirty, But Run Clean" campaign emerged, perfectly blending The North Face's passion for the outdoors with its enduring commitment to sustainability.

The campaign, which launched in late summer 2009, consists of signage at checkout, in fitting rooms, and on community bulletin boards in more than 30 of The North Face's retail outlets across the country. BEF also provided information and talking points to the brand's retail employees so they could answer any consumer questions. Finally, BEF adapted the campaign for use at trade shows, speaking engagements, and The North Face Endurance Challenge events. Committed to providing customers with added value services such as marketing, BEF conceived, designed, printed, and delivered a suite of materials to help inspire The North Face's consumers to purchase renewable energy.

*"I AM PLEASED WITH THE SKIGREEN OFFSETS WE SELL ON BEHALF OF BEF AS THEY REPRESENT A TANGIBLE WAY OUR GUESTS CAN BE RESPONSIBLE FOR THEIR OWN CARBON FOOTPRINT WHEN COMING TO RECREATE AT MT. HOOD MEADOWS."*

HEIDI LOGOSZ, MT. HOOD MEADOWS

#### **BEF hits the slopes**

Businesses that depend on the land and natural resources are acutely aware of changes in the ecosystem. Unusually warm winters or curiously cool summers have visible impacts on all types of outdoor recreation activities. Consider the snow sports industry. The viability of the entire industry is dependent upon receiving countless gifts from the environment in the form of fluffy, fat snowflakes.



Mt. Hood Meadows Ski Resort—Photo credit: Mt. Hood Meadows

Over eight years ago, BEF began a partnership with Mt. Hood Meadows, a ski resort operating with a special use permit in the Mt. Hood National Forest, 70 miles outside of Portland. Committed to making the resort as sustainable as possible, the owners of Mt. Hood Meadows had just completed The Natural Step Framework and came to BEF to offset the electricity used by their Shooting Star chair lift. In early conversations with BEF, the resort and their sustainability consultants shared the results of their recent environmental impact assessment. The audit revealed that the largest negative impact ski areas have is related to their guests' commute to and from the mountain. Eager to address this issue and make snow sports more sustainable, BEF and Mt. Hood Meadows created the SkiGreen program.

SkiGreen is a retail offset program that enables skiers and snowboarders to mitigate the carbon dioxide pollution associated with their drive to and from their favorite ski resort. For as little as \$2 a trip, snow sports enthusiasts can do their part to support the development of clean, pollution-free, renewable energy resources.

In the eight years since SkiGreen's inception, the program has blossomed. Thanks to the support of over 20 ski resorts and thousands of environmentally conscious skiers and snowboarders across the country, the world has benefited from the development of over 5,600 megawatt hours of clean, pollution-free, renewable energy.

Since its work with BEF began, Mt. Hood Meadows has continued to blaze a trail in sustainability. Currently, the resort is working with BEF to offset 100 percent of the electricity used for their operations. They have a waste vegetable oil-powered Greasebus to give guests a sustainable commuting option. They have color-coded recycling and garbage receptacles that have dramatically increased the percentage of waste that's recycled. Additionally, representatives of the resort have supported legislation in favor of various renewable energy and sustainability initiatives.

Seemingly small steps are making a real difference.



**SKI**Green™

## WATERSHED RESTORATION

### A watershed moment for our watersheds

In FY 2010, BEF signed long term agreements with groups working in two more watersheds: the Mattole and the Teton. We're also close to completing the preparatory work for a comprehensive, large-scale initiative in the Upper Willamette River Basin.

BEF's watershed investments reinforce science-based restoration strategies to improve stream habitat and recover native populations of salmon and trout. We use a comprehensive Model Watershed approach that partners BEF and the local community for 10 years. Each Model Watershed receives scientific support, a professional, independent, scientific review, and funding for monitoring and assessment. Having a long-term commitment allows our Model Watersheds to employ a systematic and scientific restoration strategy. It also ensures that critical needs are identified and addressed at the scales necessary to achieve lasting improvements.

### Mattole River Model Watershed

*Mattole River, California*

*Model Watershed Partner: Mattole River and Range Partnership [Sanctuary Forest, Mattole Restoration Council, and the Mattole Salmon Group]*

The Mattole River and Range Partnership (MRRP) is working to restore and conserve the streams, forests, grasslands, and wildlife of northern California's Mattole River watershed, one of the few remaining free-flowing rivers on California's Pacific Coast. With its pure strains of native salmon, significant blocks of conserved lands, sparse populations, and a 30-year history of community commitment to restoration, the Mattole represents one of the most compelling opportunities for locally led watershed restoration projects in the Western U.S. Members of the Partnership have worked with local communities to develop and carry out innovative approaches to a number of critical issues including degraded salmon habitat, extremely low summertime flows, the spread of invasive plant species, elevated stream temperatures, and high rates of sedimentation resulting from extensive timber harvesting and earthquakes.

As a Model Watershed partner, the Mattole River and Range Partnership will receive BEF funding and technical support over a 10-year period. The MRRP believes the BEF Model Watershed Program is fundamental to achieving the Partnership's goals by providing dedicated, long-term funding to understand how and if restoration activities are helping the watershed.



Mattole River Model Watershed



Headwaters of the Mattole River

BEF Model Watershed Program partners are supported by their local communities, apply sound scientific principles, operate at watershed scale, and are dedicated to measuring the results of their efforts.

Teton River Model Watershed  
Teton River, Idaho  
Model Watershed Partner: Friends of the Teton River Project

BEF's Watershed Program selected Friends of the Teton River of Driggs, Idaho, as its newest Model Watershed Program grant recipient. We expect that the many lessons learned in the project will benefit and inform similar efforts across the western U.S.



Ty Mack, past Streamflow Restoration Director and Anna Lindstedt, Development Director

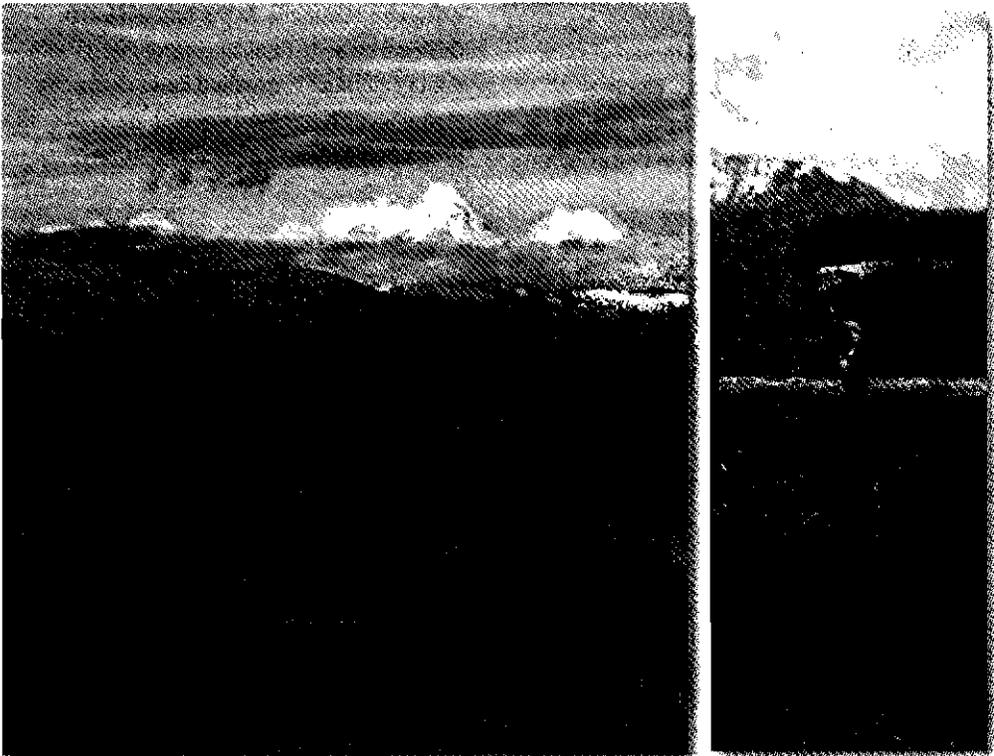
This new partnership came about after a careful review of over eighty community-based watershed restoration organizations throughout the Pacific Northwest. BEF seeks Model Watershed Program partners that are supported by local communities, apply sound scientific principles, operate at a watershed scale, and are dedicated to measuring the results of their efforts. The Friends of the Teton River have done an exemplary job with all these elements.

**Lyn Benjamin**, Executive Director of Friends of the Teton River, is a published hydrologist who has served as a consultant to the U.S. Geological Survey, the U.S. Bureau of Reclamation, the Idaho National Engineering and Environmental Laboratory, Teton County, and the City of Driggs, Idaho.



"BEF crossed our radar sometime in '03-'04. They are consistent with our philosophy: practice sound science, work closely with stakeholders, use education as a tool, and work at the whole watershed scale. We have a lot in common in our language and thinking. FTR's weakness is including economic health as part of a watershed's health. BEF is doing remarkable work and we're learning a lot. We feel like we've reinvented the wheel living here in a small, remote, isolated valley."

"The strength of the Friends of the Teton River is its staff and Board, who are phenomenal and committed. We feel so lucky to have this relationship with BEF and its equally talented and committed people. It's wonderful to be partners, bounce ideas off one another, and strategize together. The networking is invaluable."



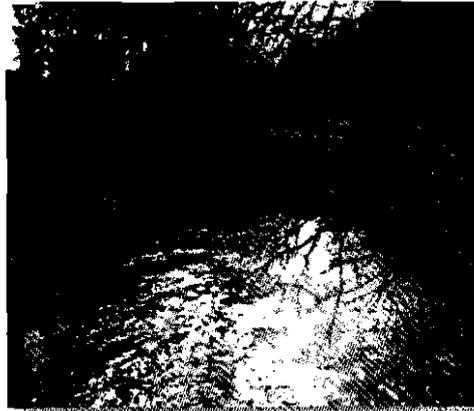
Photos of Teton River Model Watershed

**BEF advances the science of watershed restoration with scientific reviews, researching challenges, and monitoring.**

- WATERSHEDS IN THE WILLAMETTE RIVER BASIN
- Long Tom River
- Middle Fork Willamette River
- North Santiam River
- South Santiam River
- Calapooia River
- Luckiamute River
- Marys River

**Willamette River Basin Program Partnering with the Meyer Memorial Trust**

BEF and the Meyer Memorial Trust have teamed up to support a comprehensive, long-term watershed restoration program in Oregon's Willamette River Basin. The primary goals of this program are to increase the pace, scope, and effectiveness of the community-based restoration.



FY 2010 saw a tremendous amount of work done toward selecting and developing relationships with the tributary watershed councils that will be included in this program.



Participating Councils committed to completing a detailed Action Plan that will articulate a vision and goals, performance benchmarks, GIS based mapping and tracking, and a comprehensive monitoring plan. In August, BEF announced agreements with the Long Tom Watershed Council, Middle Fork Willamette Watershed Council, and a partnership of the North and South Santiam and Calapooia Watershed Councils. At the end of March, BEF was close to finalizing agreements with the Luckiamute Watershed Council and the Marys River Watershed Council. We expect this program to serve as a model for others.



Tributaries of the South Santiam, North Santiam, and Mainstem Calapooia

**Benawah Creek Model Watershed Scientific Review**

BEF offers our Model Watershed partners the opportunity to have an independent scientific review of their projects. In FY 2010, the Benawah Model Watershed near Coeur d'Alene, Idaho, had one such review.

Experts in cutthroat trout, statistics, and fisheries management from the U.S. Geological Survey, U.S. Forest Service, Idaho Fish & Game Department, and the University of Idaho spent a full day with our partners, visiting restoration sites and holding in-person discussions. Everyone involved shared lots of analysis and suggestions, which the Benawah partners found to be extremely helpful and valuable.

The experts had ideas for ways to suppress non-native fish species, such as improving habitat quality for every stage in the life cycle, and suggested ways to fine-tune monitoring activities to get a better handle on the effectiveness of restoration actions. The formal written reports were delivered in September.

**Murdock Trust Funds Study of Restoration Challenges**

Across the West, communities and organizations dedicate time and resources to restore the health of their watersheds. In February 2010, with help from the Murdock Trust, BEF launched a project to identify the biggest challenges facing these groups in a dozen Western states. Once the research is completed, we will share what we've learned and use the information to help inform our strategic decisions on how to most effectively invest our resources.

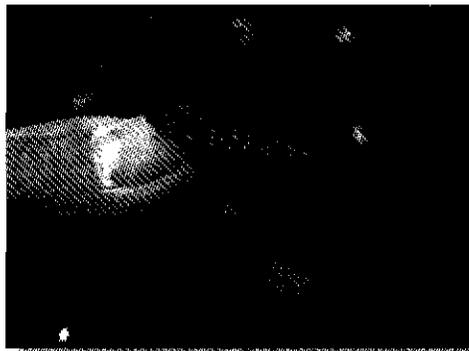
**Phenomenal Bug Counts in the Deschutes**  
Bugs are good indicators of a stream's health, much like canaries in coalmines. The Deschutes Model Watershed in Bend, Oregon, posted



Scientific Review of the Benawah Model Watershed

improved aquatic insect counts in Whychus Creek this year. Our partners compared the numbers of mayflies, stoneflies, and caddisflies at ten sites in 2005 (before restoration work started) to the numbers at the same sites in 2009. In 2005, four of the sites were rated Poor, four sites rated Fair, and two sites rated Good.

In 2009, the numbers were much better: only two sites rated Poor, five sites rated Fair, and three sites rated Good. And the composition of those numbers (what flies were more numerous where) was much better, especially in the lower reaches of the creek. The way the flies are distributed suggests that increasing the flow of water year-round may have cooled the creek and led to these terrific ecological outcomes. Congratulations to our partners at Deschutes! The hard work is paying off.



Robert Warren holds a caddisfly

*U.S. Geological Survey*

*"If you do things the same way you will often get the same result. Independent studies and ongoing maintenance are necessary to ensure that the restoration work in the watershed continues to improve water quality."*

*"Communities engaged in restoration work have more than just a good chance of success in the long run, you're helping the environment."*

## PROJECT MANAGEMENT GROUP

*Solar 4R Schools was awarded with two national awards in 2009, the Green Power Education Outreach Program Award from the Center for American Solutions and the National Innovation Award for a K-12 Project from the National Renewable Energy Council*

**How we're powering bright minds**  
BEF works with utilities and other funding partners to bring renewable energy education into the classroom – at no cost to the schools. The Solar 4R Schools program, BEF's renewable energy education program, provides schools and community buildings across the country with hands-on renewable energy teaching tools such as science kits, lesson plans and photovoltaic solar arrays.

Through this work, the Project Management Group has positioned itself as a trusted leader in solar project design and development and has branched out to provide consulting to several large Pacific Northwest firms. It also continues to raise the bar on renewable energy education by revamping its science kits and activity guides and producing new educational videos. Solar 4R Schools received a facelift this year,



Bryce Smith Accepts the Green Power Education Outreach Program award – Photo credit: Michael Ray White, [www.michaelraywhite.com](http://www.michaelraywhite.com)

improving its ability to interact with teachers and funding partners through several new tools and products. It launched a new, interactive web site at [www.solar4rschools.org](http://www.solar4rschools.org), created a new partner map software program, and built a widget that displays real-time production data on a school's website.



Dave Lettero, Randy Batchelor and other IREC 2009 winners – Photo credit: IREC

*In FY 2010, we completed installation, retrofit, education, and data monitoring projects on 55 schools and community buildings with a combined solar capacity of more than 860 kilowatts and conducted 30 teacher trainings with 80 instructors. This brings the total number of BEF's PMG projects to nearly 150 nationwide. And our reach goes worldwide: people from 78 different countries use our website.*

*"[WITH THE PORTABLE CLASSROOM SYSTEM,] I CAN TAKE CONTROL OF THE DEVICES IN THE ROOM AND RUN THEM ON CLEAN ENERGY. IN ESSENCE, I'M TAKING THEM OFF THE GRID."*

JESSICA LEVINE, ECKSTEIN MIDDLE SCHOOL

Solar 4R Schools Program expands nationwide, but maintains local focus

In FY 2010, the Project Management Group completed installations at schools across the U.S. including Breckenridge and Denver, Colorado; Park City, Utah; Hinesburg, Vermont; Reno, Nevada; and Jackson, Wyoming. But some of the group's proudest moments came from working on projects in our own backyard in Portland, Oregon.



LEED Solar Classroom at da Vinci Arts Middle School

In August, the PMG team completed work with Portland Public Schools on a solar performance classroom at da Vinci Arts Middle School. The new classroom is a revolutionary, LEED Silver certified building that showcases the latest innovations in green construction and acts as a model for future district renovation and new construction projects. More than 150 32-watt solar tiles are integrated into the roof and wired to an inverter on the building. When combined with a smaller, stand-alone solar system at the site, these two solar systems generate 6.3 kW of energy – or enough power to provide almost all of the 1,490 square-foot building's electricity needs.

The community donated more than \$100,000 in design, construction, and consulting services to the project. The PMG team also worked with Portland Public Schools on three other solar installations, added educational tools to two area high schools, and installed data monitoring

and informational kiosks on nine other projects in the district.

Portable power where the sun shines

One of our new products, the Portable Classroom System, now operates out of six locations. The system, which can provide 1500 watts of AC power to a wide range of devices, is on a wheeled cart that allows for fast and easy deployment wherever power is needed. Its solar panel can be deployed on the ground at any angle so the students can see it, can monitor the energy it creates, and can experiment with shading effects.

The system was initially designed for Eckstein Middle School in Seattle, Washington, through an Amgen Award received by teacher Jessica Levine. Levine is using the system to power her classroom computer and document camera. "I can take control of the devices in the room and run them on clean energy. In essence, I'm taking them off the grid for devices the class can manage."



Portable Classroom System and students at Eckstein Middle School

Her students monitor the system's performance. "When electricity is flowing, we can project information on the classroom walls and even touch the screen to manipulate the projected information. This new wave of education has helped me create a limited-paper classroom." With a steadfast commitment to conservation, Levine bikes to school, parking her two-wheel transport underneath the white board at the front of her classroom.



*"SINCE WE BECAME PART OF THE SOLAR 4R SCHOOLS PROGRAM, STUDENT INTEREST AND ENTHUSIASM FOR ENERGY EDUCATION HAS INCREASED DRAMATICALLY."*

DANIEL RICHARDS, MEADOWS VALLEY SCHOOL

**Snohomish Public Utility District – A partner for a better future**  
Officials at Snohomish PUD, headquartered in Everett, Washington, do more than just talk about building a brighter energy future; they lead by example.

Snohomish PUD is the second largest publicly owned utility in Washington, serving about 318,000 electric customers. From the 9.72 kilowatt photovoltaic system they installed on their headquarters to the five schools that received grants to become Solar 4R Schools projects in FY 2010, Snohomish PUD has become a model for other public utilities and a great partner with BEF. This year, in addition to the schools and headquarters, BEF and Snohomish PUD partnered to complete projects on Mukilteo City Hall, Snohomish PUD

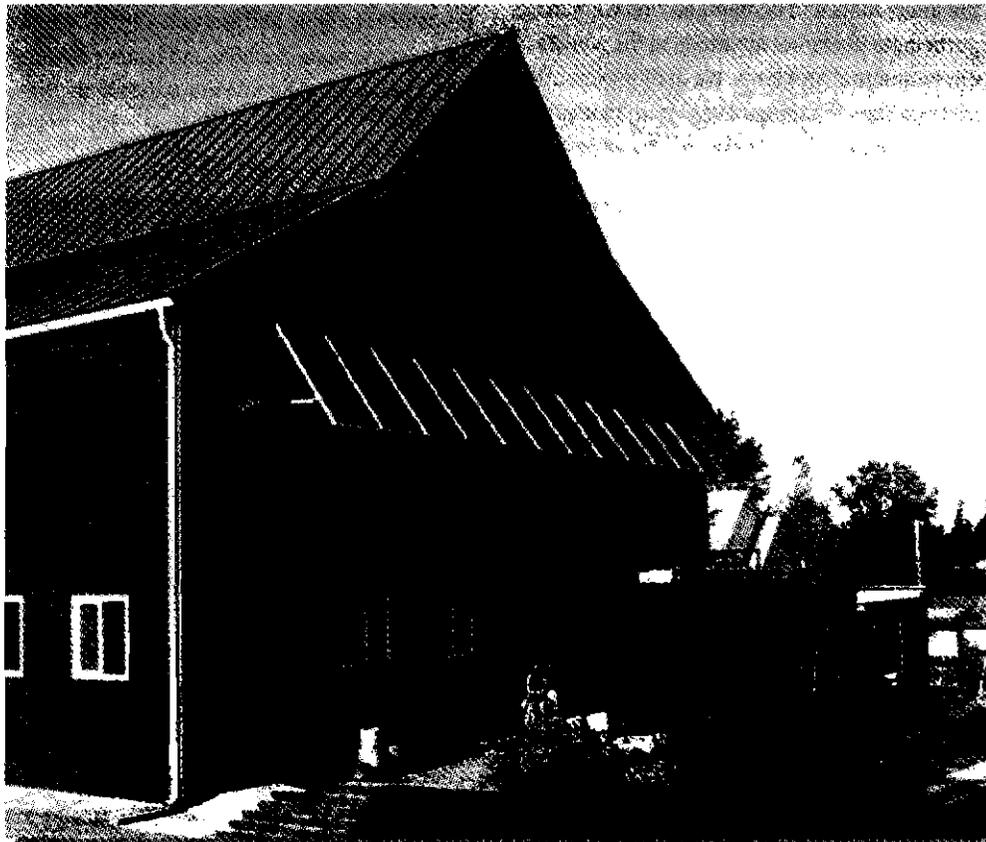
Community Transit Project, and Snoqualmie Gourmet Ice Cream. We are already looking to install more in the upcoming year.

Their voluntary Planet Power program continues to give customers a choice in the source of their electricity and helps fund renewable energy projects throughout their service territory. For instance, when Shahnaz and Barry Bettinger, at Snoqualmie Gourmet Ice Cream built a new building near Maltby, Washington, they wanted to do something good for the Earth, too. Snohomish PUD was there to help finance a 2.04 kilowatt solar electric system. Today, the system is not only helping offset the Bettinger's electricity use, but it also acts as a visible reminder to the store's customers of the value and availability of renewable energy technology.



**Thank you to All of Our PMG Funding Partners:**

- American Solar Energy Society
- Ascendant Energy
- Blachly-Lane Electric Co-op
- City of Ashland
- City of Ellensburg
- Clark Public Utilities
- Columbia River People's Utility District
- Community Energy Solutions
- Cowlitz County PUD
- Douglas County Community Foundation
- Edwards Mother Earth Foundation
- Energy Trust of Oregon, Inc.
- Eugene Water and Electric Board
- FOX Broadcasting Company
- Gerding Edlen
- Idaho Power
- Lake Washington School District
- Lower Valley Energy
- Maine Energy Investment Corp.
- Maine State Housing Authority
- Midstate Electric Co-op
- The North Face
- Northwest Environmental Defense Center
- Oregon State University
- Pacific County PUD
- Portfolio 21 Investments
- Portland General Electric
- Protect Our Winters
- Puget Sound Energy
- Rossignol
- Salem Electric
- Seattle City Light
- Snohomish PUD
- Southern Oregon University
- Tacoma Power
- Vote For Change
- Wells Fargo



Snoqualmie Gourmet Ice Cream

## PUBLIC POLICY WORK

We use market principles and entrepreneurial thinking to create positive and lasting changes for the planet and the people who live on it.

Our approach to policy work is as dynamic and results-driven as the rest of our activities.

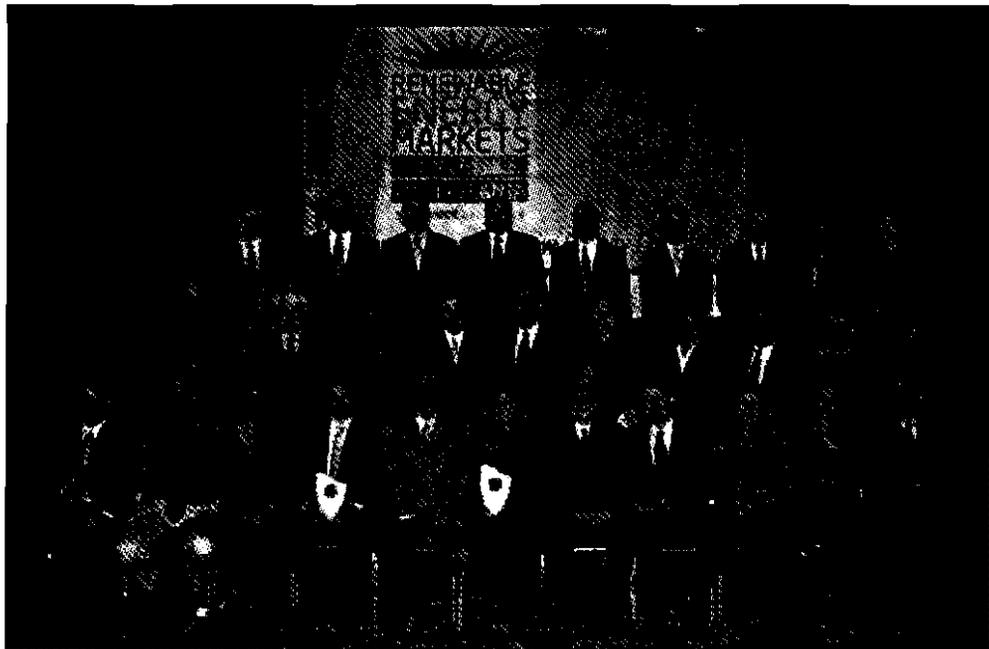
We use market principles and entrepreneurial thinking to create positive and lasting changes for the planet and the people who live on it. Part of the responsibility that comes with this work includes developing the necessary rules and infrastructure to guide and foster positive and lasting change. BEF staff and Board members are leaders in the issues surrounding energy and environmental sustainability solutions. We are active across the country and are regularly called on to participate where there are policy discussions and important decisions to be made.

As a nonprofit, we are deeply committed to the individuals and companies who want to participate in market solutions to the world's environmental problems. We aspire to create and maintain meaningful voluntary markets – markets with integrity that work for all parties.



Rob Harmon accepting the Green Power Supplier of the Year Award  
—Photo credit: Michael Ray White, [www.michaelraywhite.com](http://www.michaelraywhite.com)

The overarching objectives of these markets must be economic and environmental health. We want to create positive and lasting change and empower the people around us to do the same.



Rob Harmon at the Renewable Energy Markets Conference —Photo credit: Michael Ray White, [www.michaelraywhite.com](http://www.michaelraywhite.com)

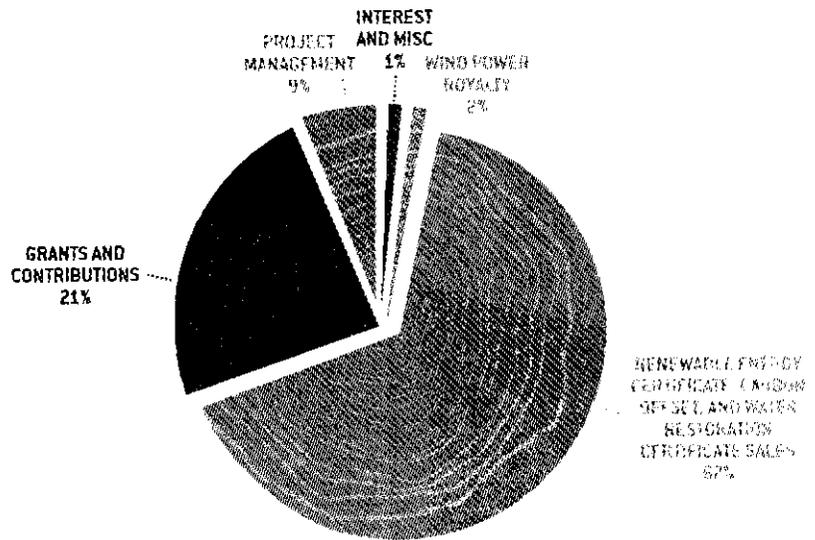


Klondike Wind Farm in Oregon

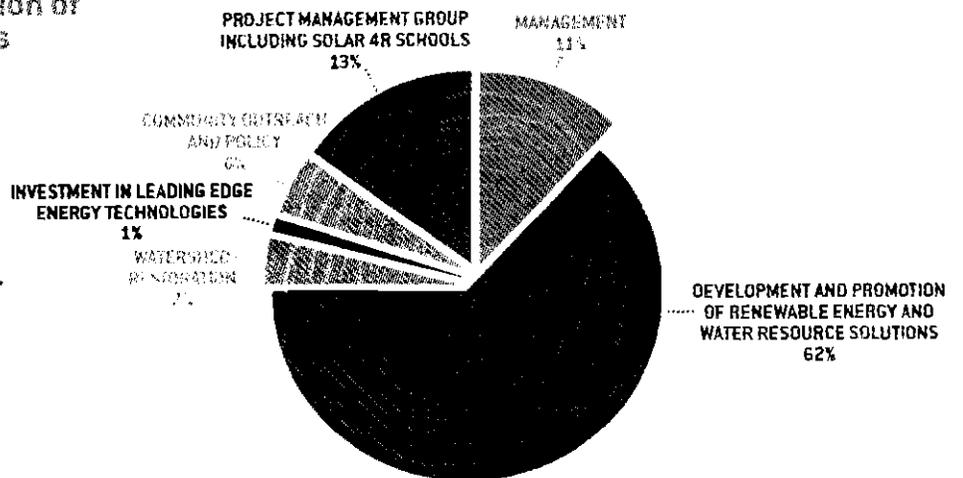
*BEP IS PARTICULARLY GRATEFUL FOR THE CONTINUING SUPPORT OF THE BONNEVILLE POWER ADMINISTRATION, A KEY FUNDING PARTNER. BPA WAS INSTRUMENTAL IN OUR CREATION AND HAS CONTINUED TO COMMIT TIME AND MONEY. THEIR GOALS OF CREATING AND DELIVERING AN ADEQUATE AND RELIABLE POWER SUPPLY AND MITIGATING IMPACTS ON FISH AND WILDLIFE FIT WELL WITH OUR MISSION "TO REMEDY THE EARTH'S MOST PRESSING ENERGY, WATER, AND CLIMATE CONCERNS." WE THANK THEM AND LOOK FORWARD TO MANY MORE YEARS OF SYNERGY AS WE CONTINUE TO BE INNOVATORS IN THE RENEWABLE ENERGY AND ENVIRONMENTAL IMPROVEMENT ARENAS.*

**Financial Reporting**  
 Year ending March 31, 2010  
 Not yet audited

**Revenues**  
**\$10,098,211**



**Distribution of Expenses**  
**\$9,319,375**



**Statement of Financial Position**

March 31, 2010

<b>Assets</b>	
Total Assets	<b>\$16,438,460</b>
<hr/>	
Total Liabilities	<b>\$9,045,684</b>
Total Net Assets	<b>\$7,392,776</b>
Total Liabilities and Net Assets	<b>\$16,438,460</b>

**Board of Directors**

As of June 30, 2010

**Walter E. Pollock**  
BOARD CHAIR  
Portland General Electric *(retired)*

**Ralph C. Cavanagh**  
BOARD VICE CHAIR  
Co-Director of the Energy Program and Senior  
Attorney, Natural Resources Defense Council

**Brett Wilcox**  
BOARD TREASURER  
President and CEO, Summit Power Alternative  
Resources

**J. Rachel Shimshak**  
BOARD SECRETARY  
Director, Renewable Northwest Project

**Direlle Calica**  
Attorney, Law Office of Schaff & Clark-Deschene

**James A. Lichatowich**  
Principal, Alder Fork Consulting

**Thomas J. Starrs**  
Managing Director, Utility & Power Plant  
Division, SunPower Corporation

**William K. Drummond**  
Manager, Western Montana Electric Generating  
& Transmission Cooperative, Inc.

**William T. Towey**  
Fish and Wildlife Policy Analyst, Colville  
Confederated Tribes

**Aldo Benedetti**  
Director Emeritus, Tacoma Public Utilities *(retired)*

**Don Frisbee**  
Director Emeritus, PacifiCorp *(retired)*

**The Honorable Mark O. Hatfield**  
Chair Emeritus, U.S. Senator *(1967-1997, retired)*

**Jaime Pinkham**  
Director Emeritus

Bonneville Environmental Foundation

240 SW 1st Avenue

Portland, OR 97204

503-749-1905

[www.b-e-f.org](http://www.b-e-f.org)