

Existing Final Principles of Integrated Resource Planning Related to Resource

Acquisition (Proposed deletions based on June 29, 2011 Federal Register Notice noted

in red strikeout):

A. Resource Acquisition Principles: Western's resource acquisition activities will be determined by project-specific power marketing plans, hydropower production capability, and the application of the following Final Principles of IRP:

1. Western will consider a full range of resource options, both supply-side and demand-side, as well as renewable resource options.

~~2. On a project-by-project basis, Western, through a public process involving interested stakeholders will develop criteria to be used in evaluating power resource alternatives.~~

~~3. Evaluation criteria will address cost, environmental impact, dependability, dispatchability, risk, diversity, and the ability to verify demand-side alternatives. Evaluation criteria will be reviewed as the need for resources changes or when long-term commitments to purchase power expire.~~

4.2. Evaluation criteria will be consistent with Western's power marketing policy, which states that Federal power is to be marketed in such a manner as to encourage the most widespread use thereof, at the lowest possible rates to consumers consistent with sound business principles. The policy, found in Delegation Order No. 0204-108, is derived from statutes authorizing the sale of power from both Department of the Army and Department of the Interior hydroelectric projects. These statutes include Section 5 of the Flood Control Act of 1944, 16 U.S.C. 825 and section 9(c) of the Reclamation Project Act of 1939.

~~5.3.~~ Resource acquisition planning will be consistent with power marketing plans and associated contractual obligations.

~~6.4.~~ Resource acquisition decisions will be documented and made available to Western's power customers and the public.

New Principles of Integrated Resource Planning Related to Resource Acquisition for Public Comment (Proposed additions to existing language based on June 29, 2011

Federal Register Notice noted in red underline):

(A.) Western is requesting public comment on the following proposed procedures and evaluation criteria for long-term resource acquisition, which, if adopted, would be included in a revision to the existing Final Principles of IRP.

1. The Western office responsible for marketing power from a specific project will identify the need for a long-term resource acquisition. The need could be due to occurrences such as, but not limited to, the unavailability of generation from Federal hydropower facilities initially included in an existing marketing plan, generation lost due to drought conditions impacting water availability, and modifications in normal reservoir operations.
2. Once the resource need is identified and the initial amount(s) are determined, the project-specific customers involved will be notified and offered an opportunity to discuss this planned acquisition. Western will pursue widespread publication for the resource acquisition solicitation, which may include posting on Web sites, publishing in the *Federal Register* or in newsletters, or using other media to reach potential suppliers.
3. The solicitation will request potential suppliers to submit proposals that address the evaluation criteria described below, to the extent such criteria apply.

4. To the extent applicable, Western will screen the proposals received that best meet the criteria set forth below.

5. When evaluating potential resource acquisitions under the Final Principles of IRP, the following evaluation criteria will be considered:

a. Cost – the amount paid to acquire resources, such as purchased power, fuel, plant and equipment, or labor services.

b. Dependability – a supplier’s ability to provide power as specified in a purchase power solicitation. A supplier is considered dependable when it delivers to the contracted location, in the contracted amount, at the contracted time, and in the contracted manner.

c. Dispatchability – the ability of a utility to schedule and control, directly or indirectly, manually or automatically, the resources under consideration.

d. Diversity – an acceptable level of both the mix of generation resources in the region’s overall blend of power provided to a customer and the mix of generation sources of the supplier.

e. Environmental impact – the degree to which the resource has an impact on the human environment. Impacts vary according to: (1) the type of resource purchased (supply-side, demand-side, or renewable), (2) the length of the purchase, (3) the geographical area from which the power is purchased, and (4) the transmission path(s) used to get to the contracted location.

f. Indian Preference – Under section 2602(d) of the Energy Policy Act of 1992 (as amended by the Energy Policy Act of 2005), in purchasing any energy product or by-product, a Federal agency or department may give preference to an energy and resource production enterprise, partnership, consortium, corporation, or other type of business

organization the majority of the interest in which is owned and controlled by one or more Indian Tribes. In carrying out this subsection, a Federal agency or department will not pay more than the prevailing market price for an energy product or by-product or obtain less than prevailing market terms and conditions.

g. Renewable Energy Resource – the electric energy that is generated from solar, wind, biomass, land-fill gas, ocean (including tidal, wave, current, and thermal), geothermal, municipal solid waste, or new hydroelectric generation capacity achieved from increased efficiency or additions of new capacity at an existing hydroelectric project and is physically delivered to the grid.

h. Risk – the potential impact of market uncertainties, including a supplier's financial condition and creditworthiness. A supplier shall be required to demonstrate adequate financial and physical resources to provide capacity and energy to meet Western's requirements during the term of the contract.

i. Transmission Availability – the ability to move or transfer electric energy over an interconnected group of lines between points of supply and points of delivery to Western's system.

j. Transmission Losses – the reduction in available electricity after being transmitted over transmission lines and/or facilities from the generation source to the contracted delivery location.