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EVALUATION OF RESOURCE ACQUISITION APPROACHES

FINAL REPORT

Prepared for:

DATES

**Jean Sullens - RPEB
Bonneville Power Administration
Under Contract #DE-AT9-91BP15474**

Prepared by:

**Maura L. O'Neill
Tom Mortimer
Debbi Palermini
Kari Nelson**

September 12, 1991

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MASTER

I. EXECUTIVE SUMMARY

After being awash in surplus electricity for the last decade, the Northwest has suddenly had its well pumped dry by a booming economy and unprecedented population growth. The growing demand is putting pressure on the region's utilities to identify and secure additional sources of power. The Bonneville Power Administration (Bonneville) has a unique and pivotal role to play in ensuring that these electricity sources are found. Under legislation passed by Congress in 1980, Bonneville has responsibility for meeting the electricity demands of any utility in the Northwest with a firm requirements contract. Consequently, Bonneville launched in 1990 a number of new efforts to acquire resources.

In order to understand which approaches for acquiring resources were working and how each could be improved, Bonneville retained O'Neill & Company, Inc. to conduct a process evaluation. Three of the Agency's key Resource Acquisition Approaches and a process involving an unsolicited generation project were examined in detail: Competitive Acquisition, Targeted Acquisition, Billing Credits, and the Cowlitz Falls Hydroelectric Project. Although much progress has been made by Bonneville in implementing each of the Approaches, to date none have been completed. This fact did not hinder the evaluation effort, however, which focused primarily on the relative strengths, weaknesses, and outstanding features of the players and processes responsible for devising and implementing the four approaches to date.

This evaluation project was broken down into four different elements: (1) a review of key documents describing each Approach, (2) one-on-one interviews with almost 70 individuals designed to help document the process and gain insights into how the Approaches evolved internally and are perceived externally, (3) a detailed study of the four approaches including both an individual and comparative analysis, and (4) a final section offering overall lessons learned and recommendations to Bonneville.

Each element of the study yielded important findings that helped paint a profile of the team structures and skills, processes employed, attributes, weaknesses, and the promise of the respective Approaches. In many ways, the project represented the challenge of a large jigsaw puzzle with many pieces that came together only after much probing and patience. The completed picture, which is illustrated in the following pages in both flow charts and narrative, reveals a dedicated and professional staff working hard to implement Approaches that hold significant promise to Bonneville, but who may also be stalled due to such obstacles as lack of trust and breakdowns in communication.

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Our special thanks goes to Jean Sullens, the Contracting Officer's Technical Representative from the Bonneville Power Administration. She provided guidance throughout the entire process and additional assistance when needed.

Many Bonneville staff were gracious enough to participate in the interview process. Each person took time out of their busy schedule to talk about the Approaches and share their thoughts. We greatly appreciate their time, input, and suggestions.

In addition, a large number of representatives from various utilities, state agencies, commissions, and regulators gave their opinions and shared their experiences. We thank them for their candor.

Maura L. O'Neill of O'Neill & Company, Inc. was the Project Manager on the consultant's team. She provided oversight, conducted interviews, and aided in the analysis. Her insight into the regional situation benefited the evaluation. Debbi Palermi, Tom Mortimer, and Kari Nelson also contributed throughout the overall evaluation by interviewing key staff, interpreting their comments, analyzing the results, and recommending improvements to the processes. Arnel Leyva produced the flow charts and organizational charts. Susan Larson oversaw the production and editing of the report, and provided quality assurance. Jocelyn Agloro and Julie Halme also provided valuable production assistance.

A GUIDE TO READING THIS REPORT

This report is full of information, some of which may interest you more than the rest. This guide was developed so you can easily choose which sections you want to read.

✓ *Interested in reading the Report in five minutes or less?*

See Executive Summary (page 3)

✓ *Interested only in the Big Picture and the Bottom Line?*

You might start with the Executive Summary (page 3), Comparative Analysis (page 70), Lessons Learned (page 76), Recommendations (page 80) and the Epilogue (page 85).

✓ *Interested in Cowlitz Falls only?*

See page 12

✓ *Interested in Targeted Acquisition only?*

See page 27

✓ *Interested in Billing Credits only?*

See page 42

✓ *Interested in Competitive Acquisition only?*

See page 57

✓ *Interested in everything?*

Turn the page and enjoy reading.

I. EXECUTIVE SUMMARY

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A. Evaluation of Individual Approaches

In this report O'Neill & Company describes each approach and its process, delineates key findings, and makes specific recommendations about each of the four approaches. Here are some of the highlights:

Cowlitz Falls

The Cowlitz Falls Hydroelectric Project was brought to Bonneville by Lewis County PUD and represents a 30 aMW resource. The Cowlitz Falls Approach involved two small, highly skilled teams which hammered out a series of agreements in a well-organized and coordinated fashion. Key Finance people and their input were not included during important stages of the process, however, which led to delays and problems which probably could have been avoided.

Targeted Acquisition

Targeted Acquisition is an Acquisition Approach in which four of the region's largest public utilities are offered the opportunity to design commercial conservation programs and verify conservation savings. Targeted Acquisition is a dramatic new approach that holds real promise for Bonneville, but has proven to be a difficult transition for customers both unfamiliar with such a new way of doing business and the shift from a cost-based to a value-based contract.

Billing Credits

Billing Credits is an Acquisition Approach outlined in the Regional Power Act that allows Bonneville's customers to bring resources to the Agency at avoided costs. Billing Credits served a groundbreaking role in launching large Acquisition Approaches for Bonneville, but it also experienced some major policy, communication, and team size problems as it evolved. The first solicitation represented a large undertaking that identified customer needs as well as customer concerns, particularly with the policy of negative billing credits.

Competitive Acquisition

Competitive Acquisition is an all source bidding process to obtain up to 300 aMW to be brought on line by 1997. Competitive Acquisition was a huge undertaking that demonstrated that Bonneville can generate great interest in this kind of Approach. This Approach learned much from the Billing Credits Approach, but also suffered from some of the same problems such as overly large team sizes and communication breakdowns.

B. Lessons Learned (see Section X for more)

Bonneville has been successful in generating enormous interest in both utility and non-utility project sponsors in its new Approaches. This is encouraging, but does make the Agency's workload great since it launched all of these Approaches relatively close together. But this show of support is at an initial stage. Whether project sponsors will continue to be interested and want to bring their best deals to Bonneville will depend on what happens from here on out. Both people within Bonneville and outside the agency felt strongly that Bonneville has to be successful in acquiring cost-effective resources in this first round, but that it also must be perceived as a reliable business partner.

Bonneville needs to figure out more streamlined ways to evaluate the Billing Credits and Competitive Acquisition proposals and make decisions so that the processes can move forward more quickly.

Bonneville's Utility Customers

These organizations are key - some of them rely on Bonneville exclusively for their power, some have vast conservation resources available through their retail customers and ultimately Bonneville's reputation is dependent on how well it listens to and serves its customers. The Acquisition Approaches were met with some confusion and caution by Bonneville's customers.

They were confused as to what Approach made best sense for them. While most wanted to participate, many were concerned about how to develop their own resources, how to verify the savings, and whether they really wanted to share the risk. Bonneville may have underestimated the time and help utilities in the region needed to come fully aboard with these new ways of doing business.

Teams

Each of the Approaches used a team structure for decision-making. Billing Credits and Competitive Acquisition had similar numbers, types, and structure of teams. Cowlitz Falls and Targeted Acquisition used much fewer teams and smaller teams. Team size played a major role in the efficiency, communication, and staff empowerment of the Approaches.

The teams served to avoid a problem Bonneville sometimes had in the past where a few people develop and negotiate a deal and then everyone else in the Agency is asked to sign off on it. The old approach led to a feeling that one can veto a decision at Bonneville (and does), but no one can actually make it. The new team approach gives each office at Bonneville greater participation and satisfaction with the process and the outcome.

C. Recommendations

Key overall suggestions include hand-picking the team members involved in each Approach, scrutinizing the team size, and creating more trust within Bonneville.

Other key recommendations include the following:

- There is a real need for Bonneville to communicate more fully the relative benefits, risks, and disadvantages of the various approaches to eliminate the confusion customers (and Bonneville staff) face in deciding how to match offered resources to an appropriate program. Development of a matrix may assist in meeting this need and clarify the respective attributes and distinctions of the various approaches. The agency also needs to provide customers wanting to participate in the approaches with hands-on help.
- Written communication tools such as timely agendas, detailed meeting notes, clear records of internal decisions, and well-defined responsibilities for team members are needed, especially in the larger, more complex Competitive Acquisition and Billing Credits Approach processes.

- Bonneville needs to develop clear, comprehensive policies and define acceptable parameters with respect to price(s) to be paid and the risks under each approach to be assumed by Bonneville. Such an effort could assist teams to make informed decisions and increase their sense of empowerment by improving their understanding or their decision-making authority.
- Fast track development of trained, skilled negotiators who remain committed to a program for its duration.
- There is a need to be careful about program redundancies so resource sponsors are not blindsided by a subsequent Bonneville offer that is more attractive than the one they accepted, thereby damaging Bonneville's credibility and good will with customers.

And finally, our prediction is that the Bonneville Power Administration is on the right track. Its ultimate success, however, depends on whether the people at Bonneville, just as they are asking their customers and sponsors to take new risks, can take the risks required of themselves -- while providing exceptional leadership at every level to meet the resource acquisition challenges of the 1990's.

II. INTRODUCTION

As demand for electricity in the Pacific Northwest continues to grow and the need for more resources becomes acute, the way Bonneville acquires its resources now will shape the future for energy in the entire region. When the Northwest Power Planning Act passed in 1980, Bonneville was given explicit responsibility for meeting the electrical loads placed on it by the region's utilities. The importance of this responsibility only increased as it became evident in the late 1980's that the region was no longer in surplus and was moving towards load resource balance. Bonneville took action to meet this challenge in the 1990 Resource Program which was instrumental in developing and ultimately implementing a mix of Resource Acquisition Approaches.

Over the last few years, Bonneville has been addressing this need and has developed numerous ways of acquiring resources. Four of these Approaches, the Competitive Acquisition, Billing Credits, and Targeted Acquisition Programs, and the Cowlitz Falls Hydroelectric Project, were the subject of this evaluation project. Each Approach is currently in different stages of a process, and Bonneville felt it was an appropriate time that an evaluation be conducted.

Three purposes were defined for the evaluation of these these Approaches:

1. *Examine how the processes resulting in each of the specified Acquisition Approaches unfolded and evaluate the effectiveness of the team structure.*
2. *Evaluate the positive and negative aspects of the processes.*
3. *Develop recommendations for improvement of the processes.*

The purpose of this evaluation is to analyze the various Approaches' processes, to learn what's working and what's not, and to offer recommendations as to how Bonneville might improve their resource acquisition efforts. The evaluation was conducted with no preconceived biases.

There is an immense challenge in conducting such an evaluation project due to the mix of opinion and experience among the participants. What one party perceives as a problem, another might consider an opportunity. Moreover, because the Approaches triggered a great variety of feelings and frustrations, an observer might be tempted to conclude that serious problems exist. But the fact is, the evaluated Approaches represent methods of acquiring resources that are new for everyone involved, and constitute a major shift in the way Bonneville conducts business with its customers. Such dramatic changes invariably provoke strong reactions.

Through the evaluation, it is possible to conclude that many aspects of the processes are headed in the right direction, while there is also room for improvement. In

other words, the cup is both half full *and* half empty. In order to provide a meaningful evaluation, each half of the cup needs to be clearly defined. This evaluation project has tried to separate the two halves and provide thoughtful analysis on each.

The project began with the development of a detailed work plan outlining important procedures and timelines toward accomplishing the evaluation. Next, a limited document review was conducted. The review established a background for each of the various Approaches. A report was drafted summarizing the documents and correspondence examined. Following the review, interview protocols and an interviewee list were drafted. Once Bonneville finalized the protocols and list, the interview process began. Based on the information obtained from these interviews, analysis occurred and recommendations were made on the different processes.

This report details the methodology utilized, and explains the process, organization, flow, findings, and recommendations for each Approach. Concluding the report is a section comparing and contrasting the various Approaches, another on lessons learned, and a set of overall recommendations. An Epilogue that provides some reflections was prepared. Appendices have been attached that include an annotated bibliography of documents, the interview protocols, and an interviewee list.

III. METHODOLOGY

O'Neill & Company's approach to the evaluation was to fully understand the process of each of the Approaches from their inception to the present. Both historical information, as well as comments generated by those individuals involved were solicited to aid in the evaluation. To accomplish this understanding, a limited document review and key informant interviews were conducted. Per Bonneville's request, greater emphasis was placed on examining the process as it operated internal to the Agency.

Bonneville provided the necessary materials for the limited document review, that included correspondence, reports, policies, solicitations, and other important documentation. By reviewing historical information, a better understanding of the processes could be achieved. An annotated bibliography was then compiled and is included in the appendices.

In order to receive consistent information, interview protocols were developed. The purpose of the protocols was to serve as guidelines for the interviews and to provide a forum for key players to give their opinions and comments in a candid, confidential manner. Different protocols were developed for each Approach and for each interview group: those people internal to Bonneville and those people external to Bonneville.

The protocols were developed in the format of questions and began by asking basic background information, such as job responsibilities within Bonneville and within the particular Approach. Specific questions regarding process development, team structure, empowerment, communication, leadership, and interaction were addressed. In addition, particularly strong or weak areas were to be identified.

An initial set of protocols was drafted and sent to Bonneville for review by the evaluation contractor's project manager at Bonneville (COTR) and other key Bonneville staff. After receiving comments from Bonneville, the protocols were finalized. A copy of the protocols has been included in the appendices.

Following approval of the interview protocols, a determination needed to be made of who to include in the interview process. Working closely with the COTR, key interviewees were identified; a draft list of people was developed. The list was separated into two groups: internal staff (Bonneville employees throughout the organization) and external customers (utilities, regulators, energy public interest organizations, state energy offices, and Direct Service Industrial customers). A copy of the interviewee list has been included in the appendices.

Once the list was narrowed down and approved, the interview process began. Interviewees were first contacted over the telephone, told of the evaluation, and asked to participate in the interview process. During this conversation, a convenient time and place was established to conduct the interview. Interviews were conducted

either in-person or via the telephone. Each interview was conducted as a one-on-one conversation, utilizing the set of protocols. The interviews were confidential, which allowed for a straight-forward, candid conversation.

Interviews lasted from one hour to four hours. Interviewees were asked different questions relative to the Approaches with which they were involved. Therefore, an individual who participated in three of the Approaches would be exposed to three different sets of protocols. Such completeness allowed for a thorough investigation of the various Approaches.

A total of 69 interviews were conducted. Of these interviews, 54 were internal to Bonneville and 15 were external customers. The findings of the interviews have been summarized in the following pages.

IV. OVERVIEW

The balance of this report outlines the Competitive Acquisition, Billing Credits, Targeted Acquisition Approaches, and the Cowlitz Falls Hydroelectric Project in more detail. Each Approach has been broken down into five basic sections: process, organizational chart, flow chart, findings, and recommendations.

The process section narrates the background of the Approach and discusses in detail the organizational and flow charts that follow. The organizational chart sketches a picture of the team structure. Following the visual chart is a brief description of each of the team's responsibilities. The flow chart visualizes the process utilizing symbols. Three symbols have been used:

- ✓ *a triangle signifies a key decision point*
- ✓ *a rectangle defines an action, event, or activity*
- ✓ *an upside-down piano represents an output or paper document*

Following the charts are the key findings of the evaluation for that particular Approach. And lastly, the recommendations section details specific individualized suggestions for each Approach.

A comparative analysis follows that compares and contrasts the four Approaches. Next is a section outlining specific lessons learned from conducting the evaluation. Furthermore, overall recommendations have been detailed.

V. COWLITZ FALLS HYDROELECTRIC PROJECT

The purpose of the Cowlitz Falls Acquisition Project was to acquire a significant hydroelectric generating resource and to test Bonneville's ability to bring an unsolicited generation project on-line in an efficient and effective manner. In large part, the Cowlitz Falls Acquisition was intended, and proved to be, a learning experience for Bonneville that would yield lessons about the merit of pursuing similar projects in the future.

A. PROCESS

Bonneville's formal involvement in Lewis County PUD's Cowlitz Falls Hydroelectric Project began in the Fall of 1989 as a result of contacts and meetings initiated by the Lewis PUD manager, staff, and attorney with senior Bonneville officials. The Cowlitz Falls project, that was originally conceived in 1977 by Lewis PUD subsequent to receiving a Notice of Insufficiency from Bonneville, had been known to Bonneville officials for over a decade. Beginning in 1986, Lewis PUD had attempted to market the project to Bonneville, as well as to a number of Northwest utilities. Those initial efforts, however, proved unsuccessful as neither Bonneville nor solicited utilities agreed to acquire the project or its power on the terms offered by Lewis PUD.

Bonneville's renewed interest in considering and possibly acquiring the Cowlitz Falls Hydroelectric Project resulted from several factors including: (1) a series of marketing/background information contacts made by Lewis PUD's attorney with senior Bonneville officials; (2) the fact that Bonneville was fast approaching load-resource balance; (3) Bonneville's move to develop processes to bring on new resources; and (4) the fact that Bonneville had no real experience in developing unsolicited resources and the Cowlitz Falls Project offered a unique learning opportunity for the Agency and staff to bring such a resource on-line.

The actual chain of events that led to Bonneville's formal consideration of the Cowlitz Falls Project began with a series of telephone contacts and meetings in the Fall of 1989 between the Lewis PUD marketing team and senior Bonneville officials. The meetings were essentially used to discuss the project background and viability, to determine Bonneville's level of interest in acquiring the project, and to ascertain how Bonneville would approach negotiations to acquire the Cowlitz Falls resource.

After meeting with the Lewis PUD marketing team and receiving background information on the project in late 1989, Bonneville's Assistant Administrator for the Office of Energy Resources routed the Cowlitz Falls background information to the Generation Acquisition Section with a handwritten note instructing the recipients to evaluate the project. Upon receipt of the information, an informal team was assembled by the Generation Section to develop a cost-effectiveness determination that limited environmental impacts. The cost-effectiveness determination was

completed within a span of three to five days and, shortly thereafter, a verbal report was made to the Assistant Administrator describing its findings.

Upon receiving the cost-effectiveness report from the Generation Acquisition Section and a recommendation that the project should be pursued, the Assistant Administrator made the decision to proceed and secure an option contract with the PUD. At the time of this decision, the Assistant Administrator designated the Bonneville staff who would provide managerial oversight, serve as lead negotiator for the project, and act as project coordinator. Moreover, a decision was made to keep the team involved in the project as small and operationally efficient as possible because of limited staff availability.

Subsequent to these decisions by Bonneville management, the project coordinator set up a tentative team framework and submitted his recommendations to the lead negotiator/team leader. Team membership was determined by division directors and strongly influenced by the project coordinator. Team selections were made with a deliberate emphasis on involving individuals with recognized expertise, familiarity with the issues, and interest in the project.

The team structure that was used in the Cowlitz Falls process was somewhat informal in nature, but did consist of two distinct teams: a Negotiating Team and a Technical Advisory Team. The Negotiating Team met directly with the Lewis PUD negotiators and was comprised of two to four individuals (depending on the issues under discussion), including the team leader and representatives of General Counsel, Generation Section of the Resources Branch, and the Division of Contracts and Rates. The Technical Advisory Team consisted of six members who acted as a resource team to the Negotiating Team members and provided expertise and direction in such areas as transmission, engineering, finance and cost-effectiveness, environmental review, and generation. The Technical Advisory Team also served the purpose of ensuring that appropriate Sections/Branches of Bonneville were informed of, and agreed with, the decisions of the negotiators.

Following the decision to pursue the project and designate key team members, the Team Leader called a meeting in October 1989, that included Negotiating Team members from the Planning Branch, Contracts Section of Power Supply, and Generation Section of the Resources Branch, General Counsel, Finance, and two Bonneville supervisors. The purpose of the meeting was to explain the interests of the customer (Lewis PUD), the fact that the Resources Branch was going to become involved in acquisitions, to formally assemble the team that would work on the project, and assure their availability. At the meeting, the team leader indicated that customers could bring in unsolicited offers and that Bonneville had decided to pursue an option agreement with Lewis PUD so the Agency could effectively determine if it wanted to acquire the Cowlitz Falls resource. The team leader indicated that the process would be a learning experience for Bonneville and those involved.

As a consequence of the decision to move forward with the project and pursue an option agreement with Lewis PUD, the Bonneville-Cowlitz Falls teams began meeting on a weekly basis by the end of 1989/early 1990. The actual teamwork process began with the project coordinator developing a detailed timeline/issue matrix for the team members. The matrix essentially laid out for team members the information, issues, and task responsibilities required of team members to support the Negotiating Team in each negotiation session with Lewis PUD.

Prior to a negotiation session, the Technical Advisory Team and Negotiating Team members would come together in pre-negotiation meetings to address relevant issues. Once a negotiating meeting was completed, the Negotiating Team would caucus with Technical Advisory Team members, share what occurred, and determine the next step in the process. Communication among teams and team members was also achieved through minutes provided by Negotiating Team members and memos from the project coordinator.

The first task facing the Negotiating Team was to secure an option contract with the PUD. The timeline established by the project coordinator set a target of May 1990 for the team to achieve that goal. As part of this process, the project coordinator selected and contracted with environmental, fishery, and engineering consultants to review various aspects of the project for Bonneville. Consultant reports were reviewed relative to safeguarding Bonneville's interests, ensuring the viability of the project, and to determine the adequacy of existing environmental documents. The latter role was performed by Bonneville environmental experts who were members of the Technical Advisory Committee and who provided support to the Negotiating team throughout the process.

Following approximately four months of negotiations, Bonneville and Lewis PUD completed discussions and reached an option agreement in February of 1990. The option agreement essentially laid out the price terms, outlined the acquisition contract terms, addressed issues including risk cost sharing, and set a target date of early November 1990 for an acquisition contract agreement to be reached. A public involvement/information process was activated by Bonneville that involved one public meeting to receive testimony and a notice and comment period to receive and respond to written comments. An existing final Environmental Impact Statement prepared by the Federal Energy Regulatory Commission (FERC) was made available for review and comment. In addition to the public meeting and comment process, the final Environmental Impact Statement and Addendum, as well as the Record of Decision, were published for public review.

Once the option agreement was reached, work began in late May and early June of 1990 on stage two of the process, that was to negotiate the acquisition contract with the PUD. This stage involved only two members of the Negotiating Team meeting once a week with the Lewis PUD negotiators. Both of the negotiators were attorneys, one from General Counsel and the other from the Division of Contracts and Rates. The Technical Advisory Team no longer met every week, but remained as a resource for members of the Negotiating Team to draw upon as needed.

As work proceeded on the acquisition contract, senior Bonneville officials were used by the Negotiating Team for advice and to review the power sales contract principles. Essentially this group was used as a sounding board to identify problems and to make recommendations relative to both contractual and policy issues. Consensus was not always easy to achieve in this group, and a senior Bonneville official determined there was need for a more formalized, structured advisory committee with clear lines of authority to make key policy decisions. In April/May of 1990, the Acquisition Management Team (AMT) was formed to formally oversee and make policy decisions regarding all Bonneville resource acquisition processes.

As the acquisition contract stage of the negotiating process proceeded, members of the Negotiating Team would submit contract drafts to the Contract Review Section of Power Supply for review of terms and conditions. Beyond reviewing draft

contracts, however, Bonneville finance people did not participate in the acquisition contract negotiating phase except for on an as-needed basis.

The Negotiating Team succeeded in reaching agreement with Lewis PUD in October 1990 on the acquisition contract. Once agreement was reached (before the PUD Commissioner elections), the contract was signed by the PUD. The contract was not, however, signed by Bonneville. Bonneville indicated to the PUD that although tentative agreement had been reached, Bonneville was not bound or obligated to the contract until it had thoroughly reviewed and analyzed the document.

In November of 1990, the Branch Chief for Financial Review called for a meeting of both Bonneville and Lewis PUD negotiators to discuss outstanding finance issues that were a source of concern to the AMT and the Finance Division. Subsequent to that meeting, Bonneville identified issues in the proposed contract relative to escalation of Bonneville costs, risk sharing, financing, and construction schedules that needed to be addressed and changed in the contract if Bonneville was to agree to the acquisition contract. After a detailed review process spanning November and December of 1990 and early January of 1991, Bonneville agreed to and signed the power sales contract as modified.

Once the acquisition contract was agreed to, the third stage of the negotiation process commenced. The PUD was unable to secure project funding through a letter of credit. This stage of negotiations primarily involved amending the acquisition contract to address subsequent key finance and insurance issues which arose after the execution of the acquisition contract.

The Bonneville Cowlitz Falls Negotiating Team negotiated with Lewis PUD through the months of February, March, and April of 1991. Guidance for the negotiating committee during this phase was provided by the Assistant Administrator and the AMT. A revised acquisition contract offer was submitted to Lewis PUD on April 9, which provided for a new balance of risks and responsibilities between Bonneville and Lewis PUD. The performance incentives and the oversight elements in the acquisition contract were also strengthened. The AMT provided instructions to the Negotiating Team to seek additional value and established general policy guidelines to secure the accomplishment of that goal.

Subsequent to the April 9 revised offer, an AMT briefing paper dated April 16 was issued providing background on issues which had arisen relative to potential construction, environmental, and regulatory termination risks. In addition, the briefing paper detailed the requirements Bonneville sought for bearing additional risk. The briefing document posed the decision issue of whether Bonneville should acquire the Cowlitz Falls Project now, delay acquisition, or discontinue negotiations with Lewis PUD. Ongoing project management components were raised in the memo including transmission, environmental, the construction contract, audit resolution, legal challenges, construction schedule, project costs due to delay, and contract terms. Decision options were laid out in the memo.

On April 17, negotiations were tentatively completed on the amended acquisition contract, that provided Bonneville additional value to offset its increased construction risk. A contract was concluded on April 22, 1991.

B. ORGANIZATIONAL CHART

COWLITZ FALLS

HYDROELECTRIC PROJECT

Team Responsibilities

- ✓ **Acquisition Management Team** - to oversee all Acquisition Approaches and decide on key policy issues.
- ✓ **Technical Advisory Team** - to act as a resource team, offer advice, utilize previous experiences, provide direction, and give feedback. Some of the TAT members worked closely with two to three other BPA people on specific technical issues that arose, but these were not officially subteams.
- ✓ **Negotiating Team** - to negotiate with Lewis PUD.

C. FLOW CHART

COWLITZ FALLS

BACKGROUND

STAGE I

STAGE II

HYDROELECTRIC PROJECT

STAGE III

D. FINDINGS

Team Structure

- **Overall, the team structure used proved very successful in managing the Cowlitz Falls Approach.**

Virtually all interview subjects, both internal and external, agreed that roles and responsibilities of the teams and team members were clear and distinct. Moreover, there was general satisfaction that the three-team structure involving the AMT, the Technical Advisory Team, and the Negotiating Team coordinated in an effective manner.

- **The small team sizes worked well during the process.**

Most interview subjects felt the decision to keep the key teams small promoted effective teamwork, as well as efficiency, coordination, and effectiveness in moving the project forward. External contacts felt the size promoted negotiating efficiency, communications between the PUD and Bonneville, and contributed to building trust during the negotiating process.

- **Team leadership was considered to be effective and fair, and contributed to strong morale among team members.**

There was general consensus among team members that the team leader provided strong and effective leadership throughout the process. Some team participants felt the fairness, consideration, and direction provided by the team leader were exceptional.

- **With the exception of Finance, Bonneville Branch and Section interests were well represented and teams consisted of the right people.**

Overall, team members on both the Negotiating Team and the Technical Advisory Team were effective in addressing the range of Branch and Section interests within Bonneville. An exception to this finding, however, emerged with regard to the Office of Financial Management. Specifically, concern was expressed by Office of Financial Management staff that they were not adequately involved and informed regarding key process and negotiating issues, although finance staff at the management level were involved. An alternate perception offered by other team members attributed Finance's frustrations to inadequate communication between the finance representative on the TAT with their supervisor. Another reason given by non-finance participants was that Finance's direct participation in the early stage of the process was not required due to the emphasis on conceptual issues and assumptions, not details.

Whether the discussions were conceptual or not, the absence of Finance people at the table in the early stages of the option agreement discussions was felt by some internal and external participants to have caused information gaps, delays, and misunderstandings within Bonneville and between the agency and the utility. Negotiating team members did not have adequate familiarity with finance issues critical to moving the project efficiently. This situation led to a series of delays and revisions which possibly could have been avoided if Finance had been allowed to --

or had moved more assertively to fully participate in the Negotiating Team during the early stages of contract development and substantive contract negotiations.

External contacts commented that it would have been helpful if the key Bonneville negotiators had broader finance, resource, and technical experience.

- **Overall, the number of meetings and length of meetings was considered appropriate.**

The Technical Advisory Team and Negotiating Team met on a weekly basis during the option agreement process. Assignments and tasks were considered well-defined, and the meetings were generally considered sufficient to address all issues and tasks.

Decision-making

- **Generally, team members felt very positive about the level of empowerment they were granted.**

Some team members felt the empowerment provided to Negotiating Team members relative to decision-making and internal access was exceptional and contributed to their positive feelings about their involvement in the process. Opinions on empowerment were mixed with regard to the AMT and section heads. Some members felt that the process was overly reliant on section heads and the AMT, which in some situations bogged down decision-making and slowed turnaround. An alternate opinion was that once constituted, the AMT provided quality feedback.

- **External contacts were generally impressed with the empowerment of the team negotiators.**

External contacts commented favorably upon the decision-making authority of the team members, as well as their ability to turn around answers to questions, problems, and concerns. External subjects did sense, however, that the AMT was an obstacle to negotiating progress in some areas.

- **Decision-making and task assignment among the teams was considered efficient and well-organized.**

The decision-making process among teams and team members relative to issues and tasks that needed addressing was considered efficient and well-organized due to an effective timeline/issue matrix prepared by the project coordinator. The matrix made tasks and assignments clear for team members during each stage of the negotiating process and was of significant value to the Negotiating Team.

- **Timelines set for decisions were considered appropriate and were generally met.**

Internal interview subjects credited the project coordinator and timeline matrix as setting realistic time frames for issue discussion, task completion, and problem resolution.

- **Decisions among team members were generally made by consensus.**

The decision-making process operated through pre-negotiating meetings and post-negotiating briefing sessions. With the exception of those decisions made by the AMT, the Negotiating Team and the Technical Advisory Team generally cooperated and reached decisions through consensus. Technical Advisory Team members were responsible for representing their relative Bonneville section interests and, for the most part, turned around feedback in a timely manner.

Communication

- **Overall, communication between teams and the PUD was effective.**

Internal interview subjects generally felt communication between the Negotiating Team and Technical Advisory Team members was effective. Communication was achieved through meetings, negotiation minutes prepared by Negotiating Team members, memos from the project coordinator, and phone calls. Communication between the teams and the AMT was not always efficient or timely. External contacts credited the Negotiating Team with good responsiveness and sensitivity to their needs.

- **Feedback by team members was appreciated and responded to in a timely manner.**

Team members were generally satisfied with the feedback they received from team leaders and AMT members. Finance people, however, were less than satisfied and indicated that advice offered was ignored to the later detriment of the process.

- **Communication among interested sections was generally effective.**

Technical Advisory Team members represented key sections interested in or impacted by resource acquisition decisions. Technical Advisory Team members were generally credited as doing a good job of promoting inter-branch/section coordination. In addition, Negotiating Team members enjoyed very good horizontal and vertical access to affected and/or necessary section/management personnel. The Finance Division, however, did not feel communication at the staff level was adequate or effective in the first two stages of the negotiating process. Communication at the management level was good, but didn't seem to filter down as well as was needed.

Process

- **In general, members of both the Negotiating Team and the Technical Advisory Team were positive about the process and their participation.**

Most interviewees, including internal and external subjects, felt the process ran as well as possible given the challenges and complexity of the negotiating tasks. The relative small size of the two teams was considered an attribute which contributed to an efficient, coordinated, and well-organized process.

- **Overall, members of the Negotiating Team and Technical Advisory Team were positive about their participation in the process.**

Team members generally enjoyed strong morale, respected the skills and abilities of their team colleagues, and appreciated the small team sizes and the degree of empowerment they were granted. One team member considered involvement in the Cowlitz Falls process a career highlight.

- **The level of confidentiality employed was appropriate.**

Generally, most interview subjects felt the degree of confidentiality employed internally and externally was appropriate and necessary to move the process efficiently. Some concern was expressed that the internal efficiency unduly limited necessary contributions from Finance.

- **Office of Energy Resources staff needed to assert themselves sooner at the inception of the process.**

It was the sense of some participants that the Office of Energy Resources team members needed to clearly assert ownership of the Cowlitz Falls Project and process within Bonneville at the inception of the process. The specific point being that it was the job of Energy Resources staff, specifically the project manager, to not only coordinate the process, but to move it forward by building support for a resource generation project within the agency. The point was also made that the process improved once Resources people began to assert themselves and offer substantive input relative to important issues.

- **The schedules and expectations of the Negotiating Team underestimated financing and construction schedules.**

Comment was offered by a non-team member that the Negotiating Team did not fully appreciate or take into account the practical realities of construction and finance schedules when setting process schedules. The point was raised that Bonneville management appeared intent on moving the project and process in such an expedited manner that important scheduling/financing realities appeared to be ignored.

- **There was general consensus that the process would not expose Bonneville to charges of waste, fraud, or mismanagement of funds.**

Generally, all team members felt that Bonneville did a very adequate job of covering all necessary issues and bases. The only concern raised was that some parties may question the decision by Bonneville to pay Lewis PUD \$1 million for an option on the project.

Policy

- **Bonneville had no clear policy regarding the treatment and consideration of unsolicited proposals.**

Team members had no real policy to guide them in their negotiating process aside from a very general policy that the agency has an open door to its customers and will consider all worthwhile projects submitted. The Cowlitz Falls process was considered a learning experience for the team and Agency.

- **Bonneville's initial efforts to make the Cowlitz Falls Project a no-risk capability contract proved unrealistic.**

Bonneville's initial attempt to negotiate the Cowlitz Falls contract as a no-risk, quasi-output contract caused problems. It was probably unrealistic to expect, given Lewis County PUD's needs.

E. RECOMMENDATIONS

- **Maintain policy flexibility but consider using the Cowlitz Falls process and team approach when evaluating other unsolicited generation proposals.**

It may not be in Bonneville's best interests to develop a formal policy for evaluating and negotiating unsolicited generation resource proposals. A strong argument can be made that the lack of a structured, formal policy allowed Bonneville staff and the utility the flexibility and discretion necessary to successfully move a complex and controversial project to fruition. To have had a more formal policy in place may have seriously inhibited Bonneville's ability to respond, evaluate, and negotiate the project in a timely and effective manner.

There may be real value, however, in the event similar unsolicited generation projects come Bonneville's way, for the agency to use the Cowlitz Falls process and team structure to help guide its next process. Because each unsolicited project brings its own set of issues, attributes, and difficulties, their evaluation and negotiation are not well suited to the use of a structured, formula approach. There is merit, though, in seeing if all or some of the lessons learned, strengths, and process traits of the Cowlitz Falls project could be used to benefit Bonneville and the utility customer should a new process be initiated.

- **Involve Finance staff earlier in process development and negotiations.**

Finance needs to ensure it is well represented and enjoys solid communication with the teams and team members involved in future unsolicited projects. Steps should also be taken to ensure that Finance has all the necessary information to determine if it should be involved in the conceptual and assumption development stage of the negotiating process. Ensuring the opportunity for early involvement would give the Negotiating Team a better understanding and expertise of critical finance issues, including the soundness of finance and risk assumptions being made by Bonneville negotiators and the utility customer. Once Finance has an opportunity to provide input and review relevant assumptions at the process inception, it could then excuse itself from the negotiating process and subsequently participate on an as-needed basis.

- **Give greater consideration to capability contracts.**

Bonneville should be more assertive in giving consideration to capability contracts as a viable means of meeting the Agency's resource acquisition needs. If Bonneville chooses to pursue these contracts, the Agency should reserve the right to exercise strong oversight and anticipate that problems may develop.

- **Involve broader interests of Bonneville in all stages of the negotiating process.**

Several internal interview subjects commented on the need for negotiators to maintain broader Bonneville representation throughout the various negotiating stages. This does not necessarily require expanding team sizes but may include participation by key experts on an as needed basis or considering a process of informal consultation prior to negotiating sessions.

The benefits of such an approach include providing greater continuity throughout the process, expediting decision-making, and ensuring consideration of relevant and

appropriate issues. Such an approach is also likely to reduce concerns among key sections/divisions that their interests are not being adequately represented and/or articulated in the negotiating process.

- **Improve coordination and communication among Acquisition teams.**

All Bonneville Acquisition teams should make greater efforts to communicate and coordinate among themselves, whatever the team size. The sharing of information, experiences, assumptions, and correct or wrong decisions may be of great benefit, not only to team leaders and members, but to the future success and credibility of all the Acquisition Approaches. Improved communication would also serve the positive purpose of overall team building within Bonneville and operate to reduce tension and/or competition among Acquisition teams.

- **Provide cross-training for Bonneville negotiators.**

If Bonneville decides to use small Negotiating Teams, Bonneville should take steps to ensure that the individuals selected understand the key concerns and issues that drive various Bonneville divisions/sections. Specifically, Bonneville Acquisition team negotiators should demonstrate a basic understanding of such issues as planning, operations, billing, and financial management. The benefits of such cross-training include greater decision-making efficiency, more credible and authoritative negotiators for Bonneville, greater trust among Bonneville sections, and better negotiating results for Bonneville.

- **Have the Office of Energy Resources take earlier ownership of unsolicited generation proposals.**

Because of their expertise and substantive responsibilities, staff of the Office of Energy Resources should take a stronger role in unsolicited generation project management, educating other divisions within Bonneville regarding project benefits, and ensuring that broader resource issues are considered and discussed at the inception of such projects. Moreover, project managers from the Office of Energy Resources need to play a leadership as well as a coordinating role when assigned to a project.

VI. TARGETED ACQUISITION

The purpose of the Targeted Acquisition Approach was to test Bonneville's ability to acquire power from key utilities' commercial sectors in a creative and flexible manner. By participating in the Approach, select utilities were offered the opportunity to demonstrate to Bonneville and to themselves that they have the ability to design commercial conservation programs and verify conservation savings. Bonneville's specific goal was to secure, by the end of 1991, two contracts with utilities negotiated within the principles of the Targeted Acquisition Approach.

A. PROCESS

The Targeted Acquisition Approach evolved as a result of two separate processes: the Long Term Commercial Acquisition Program (LTCAP) workshops (late 1989 - early 1990) and Bonneville's 1990 Resource Program Authorization process.

LTCAP, conducted over a six-month period in late 1989 and early 1990, involved a series of workshops sponsored by Bonneville which included regional utilities and utility organizations interested in working with Bonneville to help shape and determine the future of Bonneville's long-term commercial acquisition programs. The LTCAP process was important to utilities and Bonneville alike, because in 1989, Bonneville made the decision to terminate the Commercial Incentives Pilot Project (CIPP) which had provided certain utilities with funds to run commercial conservation programs in their service territories. Utilities concerned with the termination of CIPP and the fact that there was no immediate program to fill the gap relative to commercial retrofit programs, pressed Bonneville to develop a program to suit that need through the LTCAP process. When the LTCAP report was issued by Bonneville, the document included a minority report which strongly promoted the Targeted Acquisition concept. Subsequently, the Targeted Acquisition concept made its way into Bonneville and ultimately surfaced in the Resource Program Authorization Process.

The Resource Program Authorization Process (RPA) essentially acted as the catalyst in the development of the Targeted Acquisition Approach, largely through the work of the Commercial Programs Branch. During the 1990 RPA process, Bonneville conservation programs were submitted for budgeting and FTE assignment purposes for the following fiscal year operation. Prior to this process, however, senior Bonneville management had directed Bonneville staff in 1989 to develop new Approaches for Bonneville to acquire resources, which included a range of competitive Acquisition Approaches.

The new Approaches which were to be considered during the 1990 RPA process, were not evident when the initial RPA recommendations were made. The omission was observed by the Assistant Administrator who halted consideration of the existing Approaches and instructed appropriate staff to more fully develop and explore the new Approaches. Specifically, the Assistant Administrator for Energy

Resources instructed Bonneville staff to develop alternative Acquisition Approaches where Bonneville and utilities would share risk, good performance by utilities would be rewarded, a payment scheme would be developed based on evaluation, utilities would enjoy more operational freedom, and Bonneville operational costs would be reduced.

Following this instruction, the Commercial Programs Branch developed a two page "think piece" which outlined the Targeted Acquisition concept and Approach. Insight and information as to how to develop this Approach was provided by Bonneville personnel in the Commercial Programs Branch and the Assessment and Evaluation Branch. The two-page document was further reduced to one page and then circulated within the Bonneville RPA process for a number of weeks. At the end of the RPA process, the Targeted Acquisition concept was approved for further action, received significant support from senior Bonneville management, and an operations document was prepared which set the goal of signed contracts with two target utilities by summer of 1991. Based on their experience, as well as the roles and interests expressed in the LTCAP process, the candidate utilities selected were Seattle City Light and Tacoma Public Utilities.

With the Targeted Acquisition concept endorsed by the RPA process and supported by senior Bonneville management, assignments were made within Bonneville to assemble a team and/or designate a project lead to start moving the process. In May of 1990, the section chief of the Resource Demand Section was contacted by the Assistant Administrator to determine if she was interested in participating. She was interested and contacted their Branch Chief to express interest in participating in Targeted Acquisition. The Branch Chief agreed with her assignment to Targeted Acquisition and also her appointment to the position of Section Chief of the Commercial Technology Section. Once given the position as Targeted Acquisition project leader, she was instructed to proceed and initiate efforts to meet with the designated candidate utilities.

Before meeting with the candidate utilities, the team/project leader, with the assistance of the Branch Chief, made the necessary contacts within Bonneville to assemble the team members who would assist in negotiations and provide advice when necessary. This team building process, which spanned the months of May through August 1990, led to the formation of essentially two teams; a Negotiating Team and a Management Advisory Team.

The Targeted Acquisition Negotiating Team consisted of representatives from the Commercial Programs Branch, Division of Resource Management, Office of Power Sales, and appropriate Area office personnel from the Puget Sound and Lower Columbia Area offices. PNUCC was credited as playing a very constructive and helpful role in the Targeted Acquisition negotiating process and according to the team leader, became a *de facto* member of Bonneville's Negotiating Team structure. The core of the team consisted of members of the Commercial Technology Section with Area office members participating at later stages once utility discussion had begun.

The Management Advisory Team, which included the project lead and co-lead, the Section Chief for Program Development/Commercial Branch, senior Area Office Staff, and other senior Bonneville managers, acted as a sounding board, support group within the agency, and source of advice regarding strategic contract issues for the project lead. It should be noted that both teams were rather informal and flexible in operation.

Bonneville made its first utility contacts on Targeted Acquisition in June 1990, with two key utility candidates and their respective managers. This meeting, which occurred prior to full formation of the Targeted Acquisition teams, was initiated by the Assistant Administrator who met with Seattle City Light and Tacoma Public Utilities. The specific purpose of the meeting was to determine the utilities' level of interest in a Targeted Acquisition-based program. The two utilities were selected because of their skill and experience in running conservation programs and because of interest expressed during the LTCAP process. During this meeting, the Assistant Administrator explained the underlying concept of Targeted Acquisition, made clear that it represented a new way of doing business for the Agency, and offered the utilities the opportunity to participate in the new Acquisition Approach.

Bonneville followed up its initial meeting with Seattle and Tacoma and held a second, joint meeting of the two utilities on June 26, 1990, to initiate the Targeted Acquisition program and to discuss Targeted Acquisition in greater detail. This meeting was not particularly productive, but did prove instructive in revealing the utilities' key concerns, which were:

- Bonneville shifting risk to utilities
- Verification - how it is done
- The fact that utilities would have to bear up-front costs

As Bonneville began its process of meeting with candidate utilities, it also commenced its effort to develop the operating guidelines and principles that would be used and presented to utilities when more formal negotiations began. The operating guideline document was a two-page document first presented on June 25, revised on July 23, and finalized within Bonneville on September 20, 1990. Once completed, this document was used to acquaint candidate utilities with the principles and guidelines that would be guiding Bonneville negotiators in their efforts to structure a workable Targeted Acquisition contract.

The guideline document was not the only material used to influence negotiations. The team leader also distributed such negotiating books as "Getting to Yes" to both team members and utility negotiators. The purpose of this was to stress Bonneville's goal of making the Targeted Acquisition process a win-win proposition for all involved. Moreover, because the implementation of Targeted Acquisition involved new and untried challenges, risks, and rewards to Bonneville and utilities, the team leader considered it essential to move both Bonneville and utility negotiators away from the traditional mode of competitive negotiating toward a more cooperative negotiating format. The hope was that such a negotiating style would lend itself to a more creative and flexible environment which would enable both parties to reach agreement.

The Targeted Acquisition negotiation process, once meetings began with the two candidate utilities, was flexible and open-ended. Aside from a target goal of securing two Targeted Acquisition contracts with utilities by June of 1991, timelines and meetings were largely driven by the candidate utilities as they worked through their issues, concerns, and problems in embracing the Targeted Acquisition concept. The Negotiating Team would meet with the utilities, hear their questions and concerns, then meet again with alternatives and answers designed to hopefully address utility concerns without moving outside the Targeted Acquisition contract principles. In general, the Negotiating Team was granted and exercised broad empowerment within the Targeted Acquisition contract principles to make the

necessary decisions in order to earn the utilities' trust and secure a workable contract.

It became evident to Bonneville that the negotiation progress with Seattle and Tacoma would proceed slower than desired or anticipated. As other utilities contacted Bonneville regarding their interest in participating in Targeted Acquisition, decisions were made by Bonneville senior management and the Negotiating Team to expand the field of Targeted Acquisition candidates. Two new utilities were added for the Negotiating Team to work with, Snohomish PUD (SnoPUD) and Eugene Water and Electric Board (EWEB).

SnoPUD had learned of Targeted Acquisition from PNUCC in addition to hearing about Bonneville's negotiations with Seattle and Tacoma. Once informed, SnoPUD contacted senior Bonneville management officials in middle to late summer to express their interest in participating. After some initial reluctance on Bonneville's part, the process was opened up and SnoPUD was informed in August that it could participate. Shortly thereafter, SnoPUD became the lead Targeted Acquisition project for Bonneville.

EWEB became involved in the Targeted Acquisition negotiations as the result of a telephone contact from Bonneville during middle to late Summer of 1990 to determine the utility's interest in participating. That phone contact was followed up by EWEB officials being approached by the Targeted Acquisition team leader at a PNUCC meeting. On August 2, 1990, EWEB officials met with the Bonneville Targeted Acquisition Negotiating Team for a briefing on Targeted Acquisition and were provided with the briefing document on contract principles and guidelines. Following the meeting, EWEB sent a letter to Bonneville expressing the utility's formal interest in participating in Targeted Acquisition.

At this time, Bonneville is actively negotiating with SnoPUD, EWEB, Seattle, and Tacoma on a Targeted Acquisition contract. SnoPUD, as the lead contract, is closest to completion at the time of this writing.

TAP Conceptual Approach

As discussed earlier, the Targeted Acquisition concept emerged from the LTCAP process and Bonneville's Resource Program. The primary objective of the program is to purchase verified savings from comprehensive utility designed and operated energy efficiency programs. The program also represents a significant conceptual break from the past because it is based on a value-based as opposed to a contract-based contractual relationship. The specific guiding principles of the program include the following:

- Participating utilities must be willing to accept payment from Bonneville based on actual program performance (verified conservation savings).
- Verified savings will be acquired at a negotiated price. The price can cover costs including administration, O&M, and financing.
- Participating utilities must be able to design, implement, and verify energy efficiency projects in the commercial sector. The program can be customized to match the utility's needs.

- Capital for the program is provided by the utility.
- Bonneville is willing to work with utilities to transition from a Bonneville-responsible basis to a utility-responsible basis.

Unlike other Bonneville programs, Targeted Acquisition is not a centrally designed and operated program but rather relies on the creativity, skill, and initiative of interested utilities to develop proposals that meet the program principles. Another outstanding feature of the Targeted Acquisition that distinguishes it from the other Approaches and past agency tradition is its win-win negotiating format. Targeted Acquisition negotiators are trained to engage in cooperative, as opposed to competitive negotiations with their utility counterparts so both may realize equal value and benefits from their relationships. This break from the traditional competitive negotiating style has proven to be exciting to those Bonneville staff involved and refreshing, although sometimes perplexing, to their utility partners.

B. ORGANIZATIONAL CHART

Team Responsibilities

- ✓ **Acquisition Management Team** - to oversee all Acquisition Approaches and decide on key policy issues.
- ✓ **Management Advisory Team** - to act as a sounding board, support the Negotiating Team, and provide advice.
- ✓ **Negotiating Team** - to negotiate with targeted utilities.

C. FLOW CHART

TARGETED

ACQUISITIONS

D. FINDINGS

Team Structure

- **The team approach was the best way of managing the acquisition.**

Relative to the other Acquisition Approaches, the Targeted Acquisition team was very small and discrete. The team core consisted of two hand-picked individuals aided during negotiation processes by Area office staff and other Bonneville personnel on an as needed basis. Team members' skills included expertise in commercial programs, power sales, and resource development. However small and flexible, most parties involved did feel that they were participating in a team structure. An exception to this sentiment came from an Area office member who felt under-utilized and sensed no real team structure or spirit.

- **Overall, team leadership was considered effective and fair.**

Team members generally considered the team leadership to be effective and efficient in running what was a very innovative and challenging new acquisition process. External contacts were generally very complimentary of the skills, fairness, and decision-making ability of the team leadership. An exception to this viewpoint was expressed by an Area office team member who did not feel adequately informed or involved by team leadership.

- **Key team members were hand-picked.**

In general, key team leaders and members were sought out and hand-picked for their assignments in the Targeted Acquisition process. Several team members once contacted, expressed significant interest and indicated they would have volunteered to participate. Enthusiasm among most team members, relative to task and leadership, was remarkably high, as was morale among key team and support members.

- **The small team size was considered a key ingredient to the process's efficiency and effectiveness.**

The Targeted Acquisition teams were very small, flexible, and rather informal in structure. These characteristics were considered by team members to be strong attributes, contributing to a general high degree of collegiality and communication. External contacts generally found the team size effective and helpful, although comments were made that the process would have been more efficient at certain times with the presence of key decision-makers.

- **The roles and responsibilities of team members were, in general, clear and distinct.**

Overall, the roles of team and support members were found to be clear and distinct during the negotiating process. An exception to this viewpoint, however, was voiced by an Area office participant who still feels unclear regarding roles and responsibilities in the Targeted Acquisition process.

Decision-making

- **Overall, the Negotiating Team enjoyed strong empowerment and decision-making authority.**

The Negotiating Team was granted significant decision-making authority, flexibility, and creative license within the Targeted Acquisition principle guidelines. This empowerment was greatly appreciated by team members and acknowledged by external contacts. In large part it contributed to the generally strong morale among Targeted Acquisition team members and participants. An exception to the team's empowerment was on the subject of verification and payment. External contacts indicated that Bonneville negotiators appeared unable to be flexible or to negotiate such issues.

- **External contacts perceived the empowerment of Bonneville team members on key verification issues declined toward the end of the negotiating process.**

External contacts indicated that once a contract was close to fruition, senior Bonneville officials began to play a much larger role relative to dictating the terms and conditions that were acceptable to Bonneville. This was a source of frustration to participating utilities and occurred primarily in the areas of verification and oversight.

- **Negotiating timelines were largely driven by utilities.**

Aside from the fact that the operations plan directed Targeted Acquisition team negotiators to secure two contracts by June of 1991, negotiating timelines and target dates were mostly determined by participating utilities. Team members were deliberately flexible with utilities and made efforts to respond to their concerns and questions in a timely manner. Otherwise, meeting dates were largely set by participating utilities.

- **A Management Advisory Team was established to serve as a sounding board on key policy and strategic issues.**

An informal Management Advisory Team, consisting of senior Bonneville officials and Area office staff, was assembled to provide counsel on negotiating strategy issues, some policy matters, and to protect and support the Targeted Acquisition process within Bonneville. This group functioned independently of the AMT.

- **In general, the AMT and senior Bonneville officials provided solid support to the Targeted Acquisition teams.**

Team members found solid support from the AMT and senior Bonneville officials for the Targeted Acquisition Approach and the manner in which the team leader was approaching and running negotiations.

- **Decisions were based on a win-win, cooperative approach.**

The team leader made a deliberate decision to move both Bonneville negotiators and participating utilities away from the traditional competitive style of negotiating to a cooperative, win-win structure. Team members and utilities were provided with Getting To Yes negotiating guides.

- **Opinions were mixed among external contacts regarding their ability to make informed decisions.**

A number of external interview subjects expressed concern that insufficient information has been provided by Bonneville for the utility to make a confident and informed decision about their involvement in Targeted Acquisition. An alternate view was offered by another participating utility that team leaders did provide sufficient information to make informed decisions.

Communication

- **Communication among team members was generally good.**

Most team members expressed satisfaction with the level of communication and coordination that existed.

- **Overall, participating utilities enjoyed good communication and feedback from the Negotiating Team.**

External utility contacts were, in general, complimentary about the level of communication and turnaround from the Negotiating Team. One utility, however, has noted that the closer to contract completion, the greater the amount of delay. This delay has been attributed to senior Bonneville management, not the Negotiating Team.

- **Communication among team members was largely achieved via Records of Decision, a Targeted Acquisition newsletter, and memos.**

One particular reason why team members generally enjoyed good communication was the distribution of a Targeted Acquisition newsletter to team members, area office staff, and other interest Bonneville staff members. The newsletter reported on relevant information and negotiation progress with utilities by the Negotiating Team.

Process

- **The process was flexible and creative.**

The process to achieve contracts was deliberately designed to be as flexible and creative as possible in order to gain utility support and move negotiations forward in an efficient manner.

- **Internal team members and external utility contacts appreciated the win-win approach used in the process.**

Overall, Targeted Acquisition team members and utility contacts appreciated the win-win, cooperative negotiating approach used to move the Targeted Acquisition process forward. Some utilities adapted to the Approach more readily than others. Those that did were generally impressed with the effort and the commitment of team leaders to make such an approach work throughout the negotiating process.

- **The initial candidate utilities were reluctant to embrace the Targeted Acquisition Approach.**

The two candidate utilities selected for the first round of negotiations proved to be resistant and skeptical about the Targeted Acquisition Approach and its promised benefits. Negotiators needed to engage in persistent and lengthy persuasion to convince target utilities of the mutual benefits offered by Targeted Acquisition. Utility concerns regarding risk sharing and utility costs led to negotiating slowdowns, which ultimately resulted in the process being expanded to additional utilities that were more receptive to the Targeted Acquisition principles and associated risks.

- **Team leadership determined that time pressures compelled a trade-off between team building and moving contracts.**

Because of the late sign-off of the Targeted Acquisition Approach by Bonneville and the desire of Bonneville management to move this Approach as soon as possible, the team leader felt moving forward with contract negotiations held priority over team building. This decision caused definite tension with one Area team member who felt poorly treated and inadequately informed as to the Targeted Acquisition concept, and their role and responsibility in the negotiating process. The Office of Financial Management also expressed concern that their perceived exclusion and lack of information about the TA team's negotiations posed a risk to quality control during the process.

- **Utilities had some difficulty distinguishing between Approaches and determining which was best for them.**

Utilities were somewhat overwhelmed with the close proximity of launching three alternative Acquisition Approaches by Bonneville and the information required by Bonneville to participate in the programs. The lack of comparative analysis and clear distinction relative to programmatic, price, and operational elements led to confusion and a degree of frustration among potential participants considering the different Acquisition Approaches. In general, utilities felt a need for more, clear information in order to make an informed and confident choice about participating in the Acquisition Approaches.

Bonneville didn't have much of the comparative information the utilities were requesting because the Approaches were being tried for the first time. But it did have the ability to communicate more fully what it did know about the differences between the Approaches.

- **Utilities and many Bonneville staff didn't understand the "paradigm shift" and what it really meant.**

This view was shared by several Bonneville individuals involved in process design and implementation who felt, and in some cases still feel, that Bonneville management has not adequately explained to staff and customers the "paradigm shift" in policy and management approach that the Targeted Acquisition Approach represents. The "paradigm shift" involves moving from a cost-based to a value-based contractual relationship. Traditionally, Bonneville has usually paid the actual costs of resource acquisition and accepted most of the risk of the investment. This paradigm shift moves Bonneville from paying costs to paying value, and is accompanied by shifting more risk to the project sponsors.

- **Conflict arose between the Targeted Acquisition Approach and other Acquisition Approaches.**

Team members from other Acquisition Approaches expressed some resentment toward the Targeted Acquisition teams for pirating potential bidders from their Acquisition Approach. Turf tension rose to such a level that different Competitive Acquisition team members were directing customers away from participating in Targeted Acquisition. Targeted Acquisition team members felt they worked hard to keep their efforts and proposals distinct from other Approaches.

- **Public involvement for Targeted Acquisition was very limited, aside from discussions during the LTCAP process.**

Aside from the LTCAP process, there was very little public involvement in the Targeted Acquisition process. Targeted Acquisition was initially run as a very discrete, basically closed process involving only hand-picked utilities. This decision limited participation and caused some resentment on the part of some non-participating utilities.

- **Bonneville's expectations regarding utility interest and understanding of Targeted Acquisition may have been unrealistic.**

Comment was offered by key internal interview subjects that Bonneville's expectation of immediate utility support for the Targeted Acquisition concept and process proved to be faulty. In particular, it appeared Bonneville did not fully appreciate or consider the political and operational issues utilities (and staff) must contend with in order to even entertain, much less implement such responsibilities as assuming greater risk, bearing up front costs, and relying on a pay for performance contractual scheme.

Additional comment was offered that the Negotiating Team assumed utilities had a greater level of knowledge and issue-familiarity than what they actually possessed.

- **PNUCC staff played a very constructive and helpful role in the Targeted Acquisition process.**

PNUCC staff was credited by the team leader as playing a very valuable and constructive role in the Targeted Acquisition process by assisting Bonneville target candidate utilities and consulting on problem issues. The team leader identified a PNUCC staff member as a *de facto* member of the Negotiating Team process with utilities.

Policy

- **The policy was generally understood within Bonneville but not necessarily by all participating utilities.**

The Targeted Acquisition policy was detailed in a two-page background document prepared by the team leader. This document outlined Targeted Acquisition contract principles and guidelines. For the most part, the policy and contract guidelines were understood by Bonneville participants and by utilities. Comment was offered, however, by some team members that Bonneville senior management could have done a more effective job in explaining the TA policy to Area office personnel and within the various branches of the agency. Some utilities did have

difficulty both grasping and accepting the policy, as well as the associated risks and benefits.

- **The Targeted Acquisition Approach has significant promise and support.**

Both internal and external interview subjects expressed the view that Targeted Acquisition is an Acquisition Approach with significant promise and opportunity for Bonneville. Comment was offered that if Bonneville sticks to its Targeted Acquisition principles and devotes necessary resources and information to the program, it could prove to be the Acquisition Approach of choice for at least large utilities.

- **Bonneville needs to maintain its commitment to the value-based contract Approach.**

As challenges arose in negotiating a value-based contract some people felt that Bonneville management began to fall back on cost-based principles in the final stages of contract negotiations. Some skepticism remains as to whether Bonneville management is fully committed in the final analysis to a value-based contract and providing utilities the flexibility it promised.

- **Continue to use negotiating principles.**

The negotiating principles that were developed worked particularly well. These provide good parameters for both Bonneville and its utility customers.

E. RECOMMENDATIONS

- **Make a greater effort to train Area office staff.**

Bonneville should devote more time and effort to train and communicate with Area office personnel relative to the Targeted Acquisition concept and negotiating Approach so Area office staff can assume the responsibilities and roles they want to play in the process. The ultimate goal should be that all area offices have trained negotiators, thoroughly versed in the TA principles, who are consistently involved throughout the negotiating process and clearly understand their decision-making role and flexibility in the process. Such training would also allow those trained to train another generation of negotiators.

- **Market the Targeted Acquisition Approach more broadly.**

Most subjects interviewed feel that Targeted Acquisition has great promise if implemented effectively. Bonneville should capitalize on the growing support for Targeted Acquisition and take steps to expand the universe of applicants, as well as more aggressively market the Approach. To realize Targeted Acquisition's full potential, Bonneville needs to broaden its base of commercial/industrial opportunities beyond the core of large utilities to secure more resources.

- **Provide greater guidance on key Targeted Acquisition issues.**

Bonneville needs to provide utilities with greater guidance and background material on how to address:

- ✓ *Evaluation*
- ✓ *Contract format*
- ✓ *Analysis programs*
- ✓ *Acceptable payment schemes*

- **Further clarify verification and administrative oversight requirements.**

Utilities need and would appreciate more information relative to verification requirements and the degree of administrative oversight Bonneville intends to exercise. There should be an emphasis on "no surprises" and "no changing the rules in midstream" especially toward the end of the negotiating process.

- **Share information on the Targeted Acquisition Program more extensively throughout the Agency.**

Although most Bonneville staff involved in the Acquisition Approaches have general familiarity with the Targeted Acquisition Approach, many would like to have a better understanding of how the negotiations have been progressing as well as the issues and problems addressed. The Targeted Acquisition newsletter and key memo's describing the negotiation processes should be more broadly distributed, particularly to Office of Financial Management staff and other branches and sections which have contract oversight and quality assurance responsibilities.

VII. BILLING CREDITS

The purpose of Billing Credits was to implement a provision in the Northwest Power Act passed in 1980 that provided an opportunity for customers to provide resources to Bonneville. Either a conservation or generation resource could be proposed by a utility through Billing Credits. For implementing such a resource, the customer would receive a credit if the customer's net requirement for energy supplied by Bonneville was reduced. Bonneville's hope was to acquire 50aMW of electricity through the first round of Billing Credits. Bonneville ultimately selected the figure of 67aMW as the target for this approach.

A. PROCESS

Based on the Act, a Billing Credits policy was developed and finalized in 1982, and amended in 1984. However, due to the surplus of energy in the 1980's, the policy was put on a shelf for use at a later date.

As the load-resource picture began to change in the late 1980's, it became increasingly apparent that a need would arise for Billing Credits sometime in the near future. Bonneville attempted to define that need by conducting workshops with key utilities in 1989 in order to explore the future of the Billing Credits Approach and how it might be implemented. Subsequent to the process and in response to comments on the Draft 1990 Resource Program, the Draft Resource Approaches Plan, and relatively strong expressions of customer interest, the policy was taken off the shelf and the decision made that it was an opportune time to pursue Billing Credits as an Acquisition Approach.

Billing Credits was one of the first Acquisition Approaches initiated by Bonneville. One of the reasons for beginning with Billing Credits, instead of Competitive Acquisition, was that the policy had already been drafted -- the process was not starting from scratch. It also was aimed exclusively at Bonneville's current customers. Billing Credits served as the first major team effort for Bonneville through the Acquisition process.

The question arose as to how to conduct the Acquisition Approach. After the decision was made to initiate Billing Credits, several utilities came to Bonneville and asked for the policy to be revised. After many conversations, the decision was made not to revise the policy. Therefore, the 1984 Billing Credits policy served as the basis for the Approach.

Bonneville decided to utilize a team structure for Billing Credits. Various teams were formed, including the Acquisition Management Team (AMT), R-7 Team, Project Leadership Team, Process Team, Evaluation Team, Negotiating Team, and Implementation Team. The AMT had been formed to coincide with the other Acquisition Approaches in April-May 1990. They were to serve as a policy decision-making body for the Approaches. The team consisted of four Assistant

Administrators, four Area Managers, and one General Counsel. The Project Leadership Team consisted of the team leads from the Process, Evaluation, Negotiation, and Implementation Teams, as well as several other key parties. The Project Leadership Team was formed to oversee the process, from start to finish. The Process, Evaluation, Negotiation, and Implementation Teams were made up of representatives from the various organizations throughout Bonneville.

Once the teams were formed, it was time to introduce Billing Credits to all of the utilities in the region. Somewhat prior to and corresponding with development of the teams, a public involvement process was initiated. The process began by drafting a Public Involvement Plan and was followed by meetings with customers throughout the region. In addition, two public meetings were held in Portland. At this time, the leads from the Project Leadership and Evaluation Teams conducted various "road shows" around the region. These shows served to explain the Approach to the Area offices, as well as to Bonneville's customers.

Subsequently, the solicitation was drafted and sent out for review by a small group of Bonneville staff. Following the incorporation of comments, the solicitation was finalized and sent in early July of 1990. A pre-proposal meeting was held at the end of July 1990. During this time, various questions surfaced about the policy and solicitation. In order to properly address these concerns, a Issue Resolution Log/Comment Summary, or question-and-answer log, was prepared, reviewed, and distributed.

In mid-August 1990, those utilities that were planning to submit a proposal were asked to give their Notice of Intent. In October, applications were due. Following an initial review of the applications, various questions emerged which had not been addressed in the submitted proposals. On average, the quality of the submittals was very low. In addition, a key group, the Office of Engineering, had not previously reviewed the solicitation. Subsequently, their questions for submitters had not been included in the original solicitation. Based on both of these issues, a letter was sent to applicants requesting additional information. After receiving the additional information, Bonneville began an extensive evaluation process.

Since there were a large number of applications submitted, the Evaluation Team leader broke the team into work groups to address the proposals in a more efficient manner. Overall, the teams were divided into generation and conservation. From there, groups were developed focusing on financial, alternative cost, technical, environmental, savings verification, and general work aspects of the proposals. Furthermore, the technical work group was then again divided into commercial, industrial, and residential subteams. Each work group member was assigned a specific proposal to evaluate based on a set of guidelines. The guidelines were developed by each of the work groups to assist in assuring a consistent evaluation mechanism. In addition, Customer System Efficiency Improvements (CSEI) were treated separately from generation and conservation.

Following the evaluation of each of the applications, a set of projects recommended for negotiations was submitted to the work groups, then to the teams, based on the guidelines. The decision was made that all proposals should be negotiated, signaling the true kickoff of the Negotiating Team.

Throughout the team process, it became evident that there were similar team members on the various teams and subteams. Due to this, the Negotiation and Implementation Teams decided to combine to form one big group. By teaming

together through the negotiating phase, Implementation Team members will be better prepared to handle implementation.

Currently, the Negotiating Team is gearing up to begin negotiating with several of the utilities. Each proposal is being handled on an individual basis through the negotiation phase. It is estimated that the negotiations will continue through the fall of this year. Following completion of the negotiating phase and signing of contracts, the implementation phase will begin.

Concurrently with negotiations, the Environmental work group is conducting site-specific environmental reviews.

BILLING CREDITS

B. ORGANIZATIONAL CHART

Team Responsibilities

- ✓ **Acquisition Management Team** - to approve all resource acquisition solicitations and contracts, and decide major policy issues on resource acquisition.
- ✓ **R7 Team** - to prepare the agenda for the Acquisition Management Team and advise the Assistant Administrator for Energy Resources.
- ✓ **Project Leadership Team** - to oversee the Acquisition Approach, provide advice, offer guidance, and represent the four sub-level teams.
- ✓ **Process Team** - to establish and manage the process for the Approach.
- ✓ **Evaluation Team** - to conduct the initial evaluation, oversee the work groups, and evaluate all of the work group's output.
 - ✓ *Financial Work Group* - to examine financial aspects of both the generation and conservation proposals.
 - ✓ *Alternative Cost Work Group* - to specifically evaluate the alternative cost of the conservation and generation proposals.
 - ✓ *Technical Work Group* - to separately evaluate the commercial, residential, and industrial conservation proposals submitted on only technical issues for conservation.
 - ✓ *Environmental Work Group* - to examine environmental concerns relating to conservation and generation proposals.
 - ✓ *Savings Verification Work Group* - to evaluate verification of savings for conservation proposals.
 - ✓ *General Work Group* - to provide general evaluation support for the evaluation process for both conservation and generation proposals.
- ✓ **Negotiation Team** - to negotiate with utilities whose proposals adequately address the solicitation.
- ✓ **Implementation Team** - to oversee implementation of negotiated contracts with utilities.

C. FLOW CHART

3

BACKGROUND **PROCESS**

CREDITS

D. FINDINGS

Team Structure

- **Almost all team members were cooperative.**

Overall, team leaders and members felt their colleagues were helpful, cooperative, and supportive of the responsibility given to teams.

- **The Billing Credits Approach has attracted a highly dedicated group of leaders and team members.**

Team leaders, as well as key others, have been personally, sincerely, and professionally committed to the effort.

- **Team leadership was relatively effective; however, leaders could have benefited from better team leader skills.**

Overall, participants felt the team leads did an admirable job with the resources they were given. On a few occasions, though, the leaders should have been better prepared for the team meetings. According to participants, agendas were not sent out in an appropriate time frame prior to the meeting. Specific skills, such as organizing, meeting, facilitating, and consensus-building were mentioned as needing improvement.

- **In some cases, teams did not consist of people with the right expertise.**

In the beginning of the process, team members were assigned to the teams via their supervisor. Specific departments were contacted and asked to assign a representative to a particular team. The team member was not asked if they wanted to be on the team, or even if they wanted to be the team leader. Issues such as the most appropriate people, necessary meeting skills, roles and responsibilities, and level of commitment were never adequately addressed nor defined.

- **There were too many team members.**

Because the right people were not on the teams to begin with and because of turnover within the team, the team size grew throughout the process. For example, the Evaluation Team began with approximately 15 people. This number soon grew to 30 or 40, then to 70 or 80. People with the right expertise to make decisions were now a part of the team. But their input was obscured due to the large team size. In addition, workload became a problem, so many people had to drop out of the process. An additional factor leading to the large team size was that many team members could only devote a limited amount of time to the project. So instead of one person devoting half of their time, there were ten people devoting five percent of their time.

- **Overall, the number of meetings and length of meeting time was felt to be appropriate for the tasks at hand.**

Meeting length and time was satisfactory. Those who felt there were too many meetings complained that the meetings were unfocused; participants wanted the meetings to have better focus and direction.

In addition, participation by the Area offices was strained throughout the process. Most Area representatives had to participate over the telephone rather than in person. Participating via the phone caused some problems: visuals could not be seen and body language could not be noticed. Such barriers caused the Areas to be less involved. For those representatives who came to Portland from the Areas, back-to-back scheduled meetings were the most time efficient.

Decision-making

- **Ambitious timelines were set but were difficult to keep.**

Every interviewee within Bonneville felt the timelines established for the Billing Credits process had been unrealistic. The proposals received from utilities were, in many cases, poor; policies were being sorted out for the first time, and it was difficult for many at Bonneville to identify beforehand exactly what information they needed and how long it would take to analyze. All of these reasons caused initial deadlines to slip. Despite these obstacles, pressure to follow the timelines was exerted by the Project Leadership Team. The timelines were sent from the top down, without team input or ownership.

Many of the Bonneville staff interviewed cited another reason for deadlines not being met. They felt there was a systemic problem in that Agency-wide ownership and commitment for major priorities is too often missing. One top official's comment was illustrative: *"The Assistant Administrator for Resources was very brave to share the decision-making (on evaluating and acquiring resources) since it is her responsibility."* Many team members felt that completing Billing Credits and Competitive Acquisition well and in a timely fashion was too few people's real priority within Bonneville.

Team members also wanted more input in the development of the timelines. Learning this lesson, many of the teams in Competitive Acquisition sought more input and consensus on timelines.

- **Decisions made by the teams were not written down.**

When a team finally reached consensus on a particular issue, the decision was not always written down. For example, a customer calls with a question about a particular issue which was resolved within Bonneville eight months earlier, yet no record can be found of the decision. According to interviewees, decisions were written down initially, but tended not to be as the process progressed. When written down, they could sometimes not be located. Furthermore, minutes and decisions were not distributed to non-team members so others could keep abreast of the process and the outcome.

- **Team members weren't always clear on when there was closure on an issue.**

Some members felt that some issues lingered on and they didn't always understand when and if issues had been resolved.

- **Team members felt empowered to make decisions in the early stages of the process, but soon felt that power diminished.**

When the Billing Credits process first began, teams were told they could make decisions. As the process began to unfold and decisions were reached by teams, a

number of decisions made their way up the chain of command and were soon sent back down for review. Some members interpreted this as the AMT or the leadership team seizing control. In some cases it could have been. In others, the role of empowerment was simply not clear. Frustration was created by such action. As one interviewee said, *"You can't tell us we can make decisions and then take that (power) away from us."*

But other explanations were also observed which may speak more to team members' lack of understanding. In any new organization or major undertaking, sorting out roles and responsibilities is a real challenge. Many teams didn't realize that with empowerment comes a responsibility to welcome input from upper management and others, who may have unique perspectives or information that the team may not possess but which could be valuable to decision-making. Likewise, decision-making made at the appropriate level also brings with it an obligation to recognize decisions that are policy-level and defer to the top, as well as the need to make top management understand and feel comfortable with the decisions made at lower levels.

■ **Reaching consensus with Bonneville's customers has been a difficult process.**

Several utilities noted Bonneville's unwillingness or inability to compromise on specific issues. Attaining a middle ground on an issue has been very difficult. Billing Credits represents a dramatic change in an industry that moves slowly. Shifting of risk and needing capital for DSM investments by utilities were new ideas for many of Bonneville's customers. Yet despite Bonneville telling customers that Billing Credits wasn't for everyone, many still wanted to participate, but under their own rules.

■ **Decision-making authority within Bonneville was not clear to the utilities.**

Those utilities interviewed felt confused as to who within Bonneville was able to make decisions regarding the process and the policies. Such authority was unclear to utility representatives dealing with Bonneville staff.

Communication

■ **Communication between team members and their organizations was weak.**

In most cases, team members did not relay information and decisions made during team meetings to the rest of their organizations. For example, the Office of Financial Management held regularly scheduled meetings of their entire office to give updates and make decisions on sensitive issues. Such a procedure apparently worked well. Others, such as the Lower Columbia Area office and the Environmental work group also established a successful communication structure. Unfortunately, the lack of communication between other team members and their organizations began to materialize during the team's decision-making process. A particular team member would be participating on their own accord, not representing their respective office. Therefore, decisions would be re-evaluated because an organization head had not known of the decision which affected their office directly and push for a reversal or modification. Communication and understanding between centralized programs and Billing Credits was also not as good as many would have liked.

- **Communication between utilities and Bonneville was tedious and slow-moving.**

If a utility had a question, they would first call the Area, who when then call Headquarters, who would call the Area back, and then the Area would answer the utility's question. This process took a great deal of time.

Process

- **The public involvement process was beneficial, relevant, and helpful.**

Almost everyone interviewed, both internally and externally, felt Bonneville's public involvement process was excellent. However, there were a few suggestions on how the process could be improved in the future (see Recommendations).

- **Interviewees complained there was not sufficient process guidance.**

This is a tough issue. Again with a major new undertaking, it is hard to have everything spelled out in great detail from the beginning. There are many unknowns and people must be flexible. But staff at most utilities, including Bonneville, feel most comfortable with certainty. So while process management could have been stronger, it is also true that the team members need to accept a certain level of ambiguity.

- **The Areas believe that they should have played a more aggressive role in soliciting the utilities.**

Area representatives called their utilities and told them they were available to assist in anyway they could. However, this call was about the extent of the Area's involvement with the utilities, besides answering questions. The Areas would have liked to have been given more responsibility, but they did not have the time nor were they granted the authority to pursue customers in a more aggressive manner. Interviewees from the Areas felt their superiors did not give them adequate decision-making authority. In addition, they believed more assistance could have been given to the utilities if given the "okay". Some Areas, however, decided not to be aggressive; it was their choice to give less assistance.

- **Overall, utilities' experience with the process was frustrating and difficult.**

Time and time again, the utilities reiterated the complexity of the Billing Credits process. They felt very frustrated with Bonneville, both on attaining middle ground on an issue and with getting questions answered.

Furthermore, utilities believed they were experts on particular issues. According to these utilities, Bonneville was not tapping this resource by looking to the utilities for advice or comment. This added to their level of frustration.

Policy

- **At times, the Billing Credits Approach was not considered clear and distinct from the other Approaches to Bonneville's customers and within Bonneville at times.**

There existed a large amount of confusion among the utilities between Billing Credits and the other Approaches. Utilities explained their willingness to choose between one Approach and another; several utilities could not see the reasoning behind the various Approaches. In addition, the utilities felt the Approaches were not even clear in Bonneville's mind, since they perceived Bonneville as trying to sway a utility toward one approach or another. For example, a utility was actively pursuing Billing Credits, but Bonneville was trying to convince the utility to withdraw their Billing Credits proposal and pursue only Competitive Acquisition.

In addition, utilities needed to know how involvement in one program would affect participation in one of the other programs. Utilities felt Bonneville was sending mixed signals to its customers.

- **The Billing Credits Policy was understood within Bonneville by team members, but not understood by the some of its customers.**

Such confusion was evidenced by incomplete proposals submitted by customers.

- **The alternative cost methodology was unclear to the public.**

One customer noted, *"They (Bonneville) did not bring their calculators when they developed the Policy."* Time and time again, customers would complain as to the clarity of alternative costs.

- **Verification of savings and risk-sharing deterred some utilities from participating in Billing Credits.**

The two most mentioned reasons for not submitting a proposal or for withdrawing one were verification of savings and risk to the customer. For the smaller utilities, the Bonneville requirements for verification of savings were too much for them to handle. Furthermore, the utilities have not been in the position where they must assume the risk; Bonneville has always handled the risk before. This new idea scared them.

Solicitation

- **Although the solicitation was written in an easy-to-read format, the solicitation was not followed by a large number of utilities.**

The idea behind writing the solicitation in an easy-to-read manner was for utilities to be able to write directly in the book, utilizing it as a checklist, and making sure all of the important questions had been answered. Surprisingly, this simple format became more complicated. Utilities submitted their own style of proposal, forgetting to answer a number of the questions. Such incompleteness was also evident in the failure of proposers to answer questions relating to the environmental checklist. Bonneville's idea did not work in many cases and caused extra work due to supplemental information requests which delayed the process. As several

interviewees noted, perhaps Bonneville believed the utilities were more sophisticated than they actually were.

Customers also complained about the amount of information required in the solicitation.

- **Bonneville's efforts created a large level of interest in the Billing Credits Approach.**

The large number of proposals submitted to Bonneville is representative of genuine interest in Billing Credits and of Bonneville's widespread communication about the offering. Some Bonneville staff cited the important role consultants played in generating proposals. More than one consultant actually "sold" an idea to many customers and helped them put together a proposal.

- **Smaller utilities felt disadvantaged by the Billing Credits process.**

Some of the smaller utilities were approached by various consultants who offered their services in assisting the utilities with the solicitation and implementation process. Unfortunately, many times these consultants did not know what exactly they were doing. Or, in some cases, the proposal was not adequate, because neither the consultant or the utility really read the requirements. These small utilities did not have the expertise to respond and felt they were vulnerable. In the past, the utilities had always relied on the Area offices to do their work, but not this time.

Administrative requirements were extremely detailed and overwhelming for medium to small utilities. Customers felt data needs established by Bonneville were not proportional to the size of the resources. Small resources had to meet the same requirements as large resources.

E. RECOMMENDATIONS

- **Develop a completed proposal as an example for customers to utilize.**

As evidenced by the submitted proposals, a number of customers had difficulty understanding the policy and solicitation. In addition, the easy-to-read format of the solicitation was misinterpreted. By being provided with several examples of a completed solicitation, customers would be able to understand the standardized format. Furthermore, by providing choices where there are certain expectations, the utilities would receive a better overall understanding of the process.

- **Consider visiting proposed conservation and generating projects soon after proposals are received.**

These visits will give Bonneville a better understanding of the proposed project as well as the magnitude of the utility's efforts. By seeing a site or talking directly with the sponsors, Bonneville could gain first-hand knowledge of projects as well as initiate an important alliance with the utility. Viability is important and some misperceptions could be avoided by a visit. Money and time could have been saved this time around if communication with customers had been more timely.

- **Circulate status reports throughout the Agency.**

Communication throughout the entire process was very weak. *"The left hand did not know what the right hand was doing,"* said one interviewee. The Office of Financial Management (OFM) developed a system which was extremely effective. On a regular basis, the organization would meet to discuss any Billing Credits events. OFM members from the various teams would give updates. Included in the meeting was the organization's Assistant Administrator. Any upcoming issues which the teams would be discussing were addressed at this meeting. Any differences of opinions on various issues were discussed, and consensus reached as an office, on that particular issue. Then, when the team discussed that issue, the representative from OFM could give his/her organization's opinion. This style of communication impedes the team decision-making process.

In addition to interdepartmental communication, concise summaries of the meeting should be circulated to team members not present, to other teams, and to management. Some teams have done this, but others have not. The status of proposals or decisions made by teams are important types of information to disseminate. The format should be simple, and be routed to key players throughout the process, including the Areas.

- **Form the work groups earlier.**

Due to the large number of team members and the significant volume of proposals needing to be reviewed, work groups were formed to conduct the evaluation phase of the process. Each participant felt the work groups were an effective way to address that portion of the process. Most people recommended the workgroups be formed earlier in the process. The Competitive Acquisition process has split into two: conservation and generation. Such a split has worked effectively for the process.

The smaller and more focused the group, the more effective meetings should be. Again, focus on having the most applicable expertise present at a meeting. Sometimes input can be obtained more quickly and easily on an informal basis rather than by forming an official work group. Over-the-phone or shuttle diplomacy can be used.

- **Develop aggressive timelines but get the buy-in and commitment from key players.**

Timelines are important, especially in a large organization where a new process is beginning. Everyone wants as much time as they can get to complete their task. However, in the case of Billing Credits, the key players conducting most of the tasks felt they were not consulted in establishing the timelines. Involve the key players. Get their commitment and buy-in. Ask members if deadlines are realistic. And then coach them along the way to ensure they meet the commitments.

- **Give feedback to comments that are not incorporated into a document or the process.**

Obviously, if your comments have been incorporated into a document, someone was reading them. For suggestions not incorporated, however, people wonder if their ideas were read, and what the reasoning was behind the decision not to include their

comments. Feedback in this stage is crucial. A short note or phone conversation, stating why a specific comment was not included, should occur.

- **Conduct more meetings to receive public input throughout the entire region, not only in Portland.**

One-on-one discussions with customers are important for answering questions and understanding respective concerns and perspectives toward the Approach. The two public meetings held in Portland were appropriate. However, additional meetings should be scheduled around the region to show customers that there is a concern for their interests, to drum up participation, and to answer questions. These meetings could either be scheduled in key areas of the region or conducted one-on-one by the Areas. Either way, they should happen after the solicitation has been sent out.

- **Develop a two-page summary of the policy document.**

Many of Bonneville's customers did not read or even understand the policy. Some have suggested narrowing the policy, but this would have prevented a timely first round for Billing Credits. A short summary of the policy, which would help utilities better understand the issues prior to the development of their response, should be developed.

- **Make data and information requirements more proportionate to the size and complexity of the utilities' projects.**

Many felt generic contracts or requirements could have been developed for the smaller acquisition projects. Match the size of the resource to the amount of staff time involved in the process: the smaller the resource, the less amount of Bonneville time involved in evaluating, negotiating, and implementing the project.

- **Consider decentralizing the negotiation and implementation of Billing Credits to Areas which would like the responsibility.**

Throughout the Billing Credits process, if the utilities had questions, they had to call the Area. The Area would, in-turn, call Headquarters, wait for a response, and then call the utility back with an answer. Much time was wasted throughout the process. While it is appropriate to have policies, negotiating parameters, and contract guidelines developed at Headquarters, Bonneville should consider decentralizing beyond that while maintaining consistency.

- **Fully examine the proposals for involvement in existing or future programs.**

Bonneville needs to examine how proposed projects' affect existing customer programs or programs yet to be implemented. For example, a number of proposals are going to be negotiated that involve implementing low-flow showerhead programs. Bonneville is going to begin such a program late this fall with much fewer verification requirements and no utility money upfront. This has the possibility of angering the Billing Credit proposers of showerhead projects, wasting the utility and Bonneville staff's time, and jeopardizing Bonneville's reputation as a reliable business partner. Improved communication between people designing central programs and Billing Credits will also help prevent this problem.

There needs to be more communication and coordination between the staff assigned centrally to the program and those working on the Approaches.

VIII. COMPETITIVE ACQUISITION

The purpose of the Competitive Acquisition Approach was to test the effectiveness of competitive bidding for energy resources, and to assess the characteristics and capabilities of energy resource suppliers. The objective of the program is to acquire up to 300 aMW from both conservation and generation resources to be delivered by 1997.

A. PROCESS

In its 1986 Power Plan, the Northwest Power Planning Council (Council) requested that Bonneville develop a process to pursue new methods of acquiring resources. The Council observed that loads could grow more rapidly than anticipated. In addition, Bonneville might benefit from securing a site-banking option on a major generating resource, or capture economies associated with "lost-opportunity" resources prior to an actual need for the resources. Such ideas circulated throughout Bonneville for the next few years.

In October of 1988, Bonneville published its first draft discussion paper of an acquisition process to guide the purchase of generating resources. The paper outlined a competitive method similar to the competitive processes being explored nationally, and set the stage for discussions both internally and with external parties.

From May through July 1989, discussions took place with the Council, Bonneville's customers, special interest group leaders, and energy offices in Oregon, Washington, Idaho, and Montana. A Technical Review Panel comprised of interested parties was assembled to comment on and evaluate Bonneville's acquisition effort.

In July 1989, Bonneville produced a draft process document describing the acquisition process through which Bonneville planned to solicit, evaluate, negotiate, and purchase power from generating resources. Due to the continued interest of acquiring resources through competitive acquisition, both internally and externally, a team of Bonneville employees and representatives from the Washington State Energy Office and the Council visited the East Coast in the Fall of 1989. The purpose of the trip was to talk with regulators, developers, utilities, and utility organizations about their competitive bidding experiences.

Also around this time, due to public input and comments from the Council, Bonneville developed an acquisition process for demand-side resources and addressed performance differences and evaluation requirements. The first conservation draft discussion paper was developed, reviewed, and finally released in October 1989.

Following the East Coast trip, revisions were made to the generation draft process paper, and a revised draft was released to the Technical Review Panel. Internal review of the process document took place, and the Program Description was

drafted. An internal subcommittee reviewed the generation program draft and made substantial changes. In January 1990, the draft program description was approved. Over the next several months, Bonneville conducted a public review process.

In Spring 1990, Bonneville made the decision to form formal teams to finalize the program description and begin developing the solicitations. Several project teams were formed, including the Acquisition Management Team (AMT), R-7 Team, Project Leadership Team, Process Team, Evaluation Team, Negotiating Team, and Implementation Team. The AMT had been formed to coincide with the other Acquisition Approaches in April-May of 1990. The team consisted of four Assistant Administrators, four Area Managers, and a representative from General Counsel. The Project Leadership Team consisted of the team leads from the Process, Evaluation, Negotiation, and Implementation Teams, as well as several other key parties. The Project Leadership Team was formed to oversee the process, from start to finish. The Process, Evaluation, Negotiation, and Implementation Teams were made up of representatives from the various departments throughout Bonneville.

In the beginning of the team process, teams met jointly to discuss both the generation and conservation sides of the Approach; although the Process Team always met separately. When the Evaluation Team began working on developing the evaluation criteria, it was determined that the teams needed to divide up to separately discuss generation and conservation. During the evaluation preparatory work, many issues common to both conservation and generation surfaced. To resolve these issues in a more efficient manner, the evaluation team for conservation began meeting with the generation team.

The initial draft of the conservation bidding program document was circulated for public review in Spring 1990; then later during the summer, the document was reviewed by the Technical Review Panel. The final Conservation Competitive Bidding Pilot Program process document containing public comments was released in September 1990. Also during Summer 1990, work continued on finalizing the Generation Program Description document. The final program document was released in August of 1990.

After the final conservation and generation program documents were finalized, intense, fast-paced work began on drafting the combined solicitations. The draft generation and conservation solicitations were essentially on the same schedule and were submitted to the teams for comment in early September. Comments were received in late September. The solicitation then went to the Project Leadership Team for comment. Following incorporation of the Team's comments, the draft solicitations were released in late October 1990 for review by the AMT. They reviewed the comments and sent the solicitations back to the teams to be finalized. The final draft solicitations were sent to the Leadership Team on December 6, 1990 and approved for production on December 10, 1990.

A Notice of Availability was released for both the Generation and Conservation Bidding Solicitations in early January; over 800 solicitations were sent out. (By May over 1500 had been mailed.) Coinciding with the printing of the solicitation, a pre-proposal bidder's conference was held February 22, 1991. Over 250 people attended the meeting. Not surprisingly, the proposers had lots of questions and requested clarifications on some issues. In order to address these concerns, a mailing went out in mid-March that included questions and answers from the

bidder's conference, Amendment 001 for the Competitive Acquisition Program Conservation Solicitation Program, Amendment 001 for the Competitive Acquisition Program Generation Solicitation, Generation Solicitation Errata, and a list of pre-proposal meeting attendees.

The original due date for proposals was scheduled for May 16, 1991. Bonneville released a notice in late February, however, raising their request for resources from 100 aMW to 300 aMW and moving the due date for proposals to June 18, 1991.

While the proposers were preparing their bids, the teams were organizing their workloads, preparing for the evaluation phase and anticipating issues/problems which might arise. In May, representatives from Evaluation, Process, Leadership, and Implementation Teams met to develop and finalize a work plan for the initial evaluation and short list phase of Competitive Acquisition. This is where the process was at the time of this report.

A generation prototype contract along with Amendment 002 and the final response to questions is scheduled to be sent in late May. Also included in this package will be the final environmental costs.

COMPETITIVE ACQUISITIONS

B. ORGANIZATIONAL CHART

Team Responsibilities

- ✓ **Acquisition Management Team** - to approve all resource acquisition solicitations and contracts and decide major policy issues on resource acquisition.
- ✓ **R7 Team** - to prepare the agenda for the Acquisition Management Team and advise the Assistant Administrator for Resources.
- ✓ **Project Leadership Team** - to oversee the process, provide advice, and offer guidance. It includes the project leads for conservation and generation as well as all of the subteam leaders.
- ✓ **Process Team** - to establish a process for the Approach.
- ✓ **Evaluation Team** - to conduct the initial evaluation, oversee the work groups, and evaluate all of the work group's output.
 - ✓ *System Cost Work Group* - to develop a system cost for both generation and conservation proposals.
 - ✓ *Threshold & Resource Viability Work Group* - to evaluate the viability of submitted resources for both conservation and generation proposals.
 - ✓ *Non-Price System Operations Work Group* - to evaluate non-price issues concerning system operations for generation proposals.
 - ✓ *Non-Price Environmental Impact Review Work Group* - to conduct an environmental review of generation proposals.
 - ✓ *Transmission Work Group* - to examine transmission issues concerning both conservation and generation proposals.
- ✓ **Negotiation Team** - to negotiate with selected sponsors.
- ✓ **Implementation Team** - to oversee implementation of any Competitive Acquisition project.

C. FLOW CHART

COMPETITIVE

PHASE I

PHASE II

ACQUISITIONS

D. FINDINGS

Team Structure

- **For the most part, team members were participatory.**

Team members felt the teams had been helpful and cooperative. Most of the team members felt they were able to freely express their ideas.

- **Team leaders tried to include representatives from all over Bonneville in the process.**

In the beginning of the Competitive Acquisition process, team leaders demonstrated a real effort toward being inclusive, rather than exclusive, about the team process and its participants. Intentions were to include all areas of Bonneville. As the process progressed, too many people might have become involved; however, the team leaders' intentions were good.

- **Competitive Acquisition team leaders are a highly dedicated group of people.**

The key people involved in the process are and have been personally and professionally dedicated toward the program. They have been supportive and involved at an extraordinary level.

- **Team leaders were relatively effective in their role as team leader, but lacked a few of the key skills.**

Overall, most of the participants felt the team leaders were effective, although a great majority felt leadership training should have been a prerequisite to becoming a team leader. Others felt too much material was given out at the meetings, and decisions were made prior to team members being able to thoroughly read and digest the material. Meeting agendas were often not prepared, causing people who didn't need to be at the meeting to waste their time or others to come ill-prepared. Furthermore, some team members felt the working groups should elect their own team leader.

- **Appropriate organizations were not represented on the teams.**

Most of the team members were assigned to teams via their immediate supervisor. Organizations were asked for a representative regardless of that individual's particular skills. In most cases, they were not asked if they wanted to participate, nor if they had sufficient time or expertise to devote to the effort. Too often, this resulted in getting a person whose skills and experience were not appropriate. External interviewees felt that more staff with experience in transmission, power sales, and engineering should have been involved from the beginning of the process.

Goals and expectations were not clearly delineated, and many of the team members did not understand their roles. Confusion also existed for some team members, as they did not have sufficient time to "get up to speed" on the Competitive Acquisition Approach prior to having to make decisions.

A significant number of team members mentioned the lack of a real "buy-in" from other team members. Some members would attend regularly, then send a

substitute/subordinate who was not "up to speed," and who would slow the process down by asking too many questions. Some team members felt there was a lack of long-term commitment to the process by other team members.

- **The number and length of meetings were sufficient.**

Most team members felt the length and time of the meetings were sufficient to get the job done. However, some of the team members felt the meetings evolved into long technical discussions rather than dealing with the issues on the agenda.

Many of the Area representatives felt removed from the process due to logistics and lack of personalized conversation. Participation via the telephone was difficult because of the current phone system. Others felt frustrated when they traveled to Portland only to find the meetings unfocused and unproductive.

Decision Making

- **Teams often felt they did not participate in deciding timelines.**

Team members felt they had little control over timelines. Members felt timelines were set arbitrarily, with little regard to whether products could be produced or decisions made within the set time frame. A lack of ownership in the established timelines existed. In some cases, team members felt that by meeting the set timelines, the program would be seriously jeopardized due to hastily made decisions.

However, such deadlines served to challenge teams in a way the Agency had not been challenged in years past although the pressure caused team members and leaders to feel uncomfortable.

- **Team decisions were not adequately documented.**

Initially, team leaders did not keep adequate notes. Following lessons learned throughout the Billing Credits process, adequate note taking was an issue which teams needed to concentrate on. Therefore, teams tried to make a conscious effort of taking minutes. However, many felt the teams were only half-way toward efficiently documenting the meetings.

If decisions were made, they were neither recorded sufficiently nor handed out to other team members. One interviewee stated, *"one person's interpretations are not necessarily the whole group's interpretation."* Decisions were not being consolidated. The teams have been focusing on this issue and have improved.

External parties felt confused by the lack of a real paper trail, and sometimes heard and believed that certain decisions had been made, when they were only rumors.

- **While hundreds of issues were addressed and resolved quickly, some of the major issues were revisited because of outside pressure on the Agency.**

Several controversial issues were resolved only to resurface later due to outside pressure. Such issues would then need to be revisited by the team. Team members felt that an inordinate amount of time was spent resolving these issues that would only resurface at a later time or by another team or by external influence. Cost sharing was one and utility endorsement was another. But aside from some of these major issues, the team, in comparing the solicitation and during the pre-bid process, examined and made decisions on hundreds of issues.

- **Decision-making authority was not clearly delineated.**

In the early stages of the process, team members were told they were empowered to make the decisions to move the process forward. But after key decisions or recommendations were rescinded or not accepted by the AMT, team members felt that was not the case and that their empowerment was not genuine. The extent of the teams' decision-making authority was not clearly defined by the team leader or the AMT, leading to some uncertainty as to what decisions they could or could not make without being over-ruled or having the decisions sent back for revision.

Many external parties commented on the lack of knowledge as to who was in charge and who had the authority to make decisions. This caused much confusion, as people would call Bonneville and ask the same question of two different staff people and get two completely different answers. One interviewee commented, "*Bonneville is a large bureaucracy that has a hard time arriving at internal consensus on a decision.*" Some outsiders purposely used this loophole to find the answer they wanted.

- **This Approach raised controversial issues regarding Bonneville's partnership with its utility customers.**

Competitive Acquisition opened the doors, in a major way, to third-party resource providers. Some utilities felt very threatened, wanting to close off their service territory to these "interlopers." Others were supportive, but worried about how their customers would be treated. Still others in the region believed that relying solely on utilities to deliver the resources was not going to be enough.

Some people, both within Bonneville and outside, felt that this Approach caused Bonneville to be ambivalent about whether it was partnering with its utility customers or only collaborating when the utility could deliver something Bonneville wanted, under the Agency's own rules.

This controversy really surrounded the conservation side of the bidding much more than the generation side. The industry has a tradition of developing generation projects in other service territories, so generation bidding is not such a departure from past practices. Conservation projects, on the other hand, represent direct interaction with the utility customers and hit at the core of the utility's most important relationship.

Communication

- **Too little communication existed between teams and organizations.**

Below the leadership team level, team members felt there was no consistent method of communication, either written or verbal, between teams or within departments. Some team members commented that it helped when the Process Team leader attended the Evaluation Team meetings.

There was also concern about the lack of communication between Headquarters and the Area offices. The lack of any formal communication tools between team members and their organizations caused many time delays and misunderstandings, both within Headquarters and the Area offices.

- **Communication between external parties and Bonneville was sometimes confusing.**

There was a general sense among external parties that it was difficult to get a straight, definitive answer out of Bonneville. Other comments were that staff were very pleasant and really did try to find an answer in a timely manner.

Process

- **The public involvement process was good.**

Bonneville's public involvement process was thought to be excellent by both internal Bonneville staff and external interviewees.

- **Team members had strong feelings about the ambiguity throughout the process.**

Many of the team members felt there needed to be a more clearly defined process to developing the Competitive Acquisition Approach. People wanted clarity that is often not possible when undertaking a major new initiative such as this.

Some team members felt there was no global or big picture while the process was unfolding. One comment suggested that Bonneville was *"laying pavement right before rush hour."* Others felt Bonneville wasn't looking at how they (Bonneville) relate to their customers, and how the Competitive Acquisition Approach will really fit into the future resource picture.

Policy

- **Bonneville and its customers found confusion between the Competitive Acquisition Approach and the others.**

The biggest external issue was how utility participation in one program would affect participation in another. How does the utility figure out which program is the best for that particular utility?

Internal to Bonneville, team members struggled with how to respond to utility questions. This was especially true for Area offices that had open, on-going communication with their utilities until the Competitive Acquisition solicitation went out and the rules changed.

- **Having no formal Competitive Acquisition policy caused confusion.**

With only process documents to guide the Competitive Acquisition process, Bonneville staff felt easily swayed by outside entities, and external parties felt Bonneville could change the rules as they went along without requiring a Public Involvement process. However, internally, no formal policy was the best way for the process to succeed.

- **Requiring a Letter of Endorsement from utilities and a Notice of Intent has been difficult for everyone.**

Requiring third-party sponsors to get a Letter of Endorsement from utilities has created confusion on the part of both utilities and sponsors. Utilities are unclear about what constitutes a "good project," and don't have staff time to devote to checking out each project. Also, how can a utility that wants to sponsor a project

also be actively involved in the development and review of a competing proposal submitted by its customers or independent parties?

Utilities were confused as to what programs were actually covered under the Notice of Intent, and whether they really needed to file the letter. Some of these issues have yet to be resolved.

- **Verification of savings and risk-sharing issues deterred some sponsors from submitting a proposal.**

Two issues which have caused controversy are verification of conservation savings and risk-sharing. Some utilities and other proposers are having a difficult time with the administrative burden required with the verification of savings. Some may not have a viable verification plan ready by the proposal submittal date.

The high level of risk-sharing required from potential sponsors and the clause that grants Bonneville the right to unilaterally cancel contracts proved to be a source of great concern among utilities. These factors in some cases deterred utilities from committing to finance and/or implementing projects. The general perception among these utilities was that the potential financial and political risks they were being asked to bear by Bonneville were unacceptable.

- **Bonneville has not yet worked closely with state and local government on siting issues.**

External interviewees see potential problems with siting issues. There is some confusion as to which entity (Bonneville, state government, local government, or the Council) has the ultimate authority to site future resources. In most cases, counties are not prepared to site facilities other than cogeneration, and do not have the staff required to conduct a joint NEPA process.

- **Small utilities are worried about third-party transmission access and wheeling.**

External interviewees were concerned that Bonneville has not been as sensitive to small utilities which may receive requests from sponsors on transmission and wheeling issues. Many small utilities do not have the capability to negotiate a wheeling agreement with a potential sponsor.

Solicitation

- **Almost all of the interviewees felt the solicitation was one of the best to come out of Bonneville.**

Consistently, interviewees (both internal and external) felt both the generation and conservation solicitations were extremely well-written. Bonneville staff worked hard to get the Solicitations out. Bonneville tried to gear up, anticipating staffing needs; management was extremely supportive and allotted many new positions to this effort.

- **Bonneville generated a large amount of interest in Competitive Acquisition.**

As evidenced by the large number of Notices of Intent submitted, Bonneville created a high interest level in the Competitive Acquisition Approach. Such an interest stems from the supportive team members and leaders, a well written solicitation, an excellent public involvement process, and other encouraging efforts.

E. RECOMMENDATIONS

- **Reassess the number of team members and their composition.**

There are at least eighteen teams working on the Competitive Acquisition Approach. Most utilities who have bid for resources haven't had eighteen people working on the project, let alone eighteen teams. While Bonneville as a Federal agency may require a broader cross section of expertise, beyond a certain point, more people make the process difficult. Bonneville should seek to reduce the number of people assigned to this Approach and streamline the process. In some cases, this may require fewer people but more time from each of these individuals.

The Leadership Team should examine this issue closely and consider some modifications to the teams.

- **Continue to more clearly define the roles and responsibilities of the teams.**

One of the sources of conflict in this Approach has been the lack of complete clarity regarding the roles and responsibilities of each of the people and the teams. Since this is a new undertaking, much of this uncertainty was inevitable. But as the Approach matures, clearer definition would be helpful to team members.

- **Get the teams to more fully understand the competitive environment in which Bonneville is acquiring these resources.**

This is a very critical time for the Agency. Northwest utilities and third party providers are watching this process very closely to see if Bonneville is a reliable business partner. The teams need to appreciate more fully that if they can't make decisions as quickly, or almost as quickly, as others who are acquiring resources, the best and cheapest projects will go elsewhere.

- **Continue to expand the skill building that is planned for some of the team members.**

More recently, an excellent training program has been developed. It is important that this be implemented as soon as possible. A few Bonneville staff have been busy organizing training sessions, such as negotiating, which have been open for all team members to participate in.

- **Improve communication between the teams and the AMT.**

There remains a fair amount of friction between the teams and the AMT. The teams need to better understand their decision-making authority and value the input from the Leadership and AMT teams rather than resent it. Likewise, the AMT needs to do a better job of communicating with the teams so the teams can understand the AMT thinking. In addition, the AMT needs to be more sensitive to the effort made by the teams and perhaps more effectively convey the message that their input is valued and important, even if not always followed.

IX. COMPARATIVE ANALYSIS

A comparative analysis of the four Resource Acquisition Approaches revealed a number of significant differences and similarities from which important human and system lessons may be learned. The processes varied greatly in the areas of negotiating complexity, team structure, customer relations, and leadership. All of those issues will be explored in more detail in this section. To begin with, however, the following illustrations of key similarities and differences among the Approaches have been developed to help set the context for this section.

Similarities

- **Individuals participating on the various teams demonstrated a high level of competence, sincerity, and professional dedication.**
- **Each Approach required utilities to meet significant information/data burdens.**
- **Each Approach stressed shifting risk from Bonneville to the project sponsors who can actually control many of the risks.**
- **Distrust among Bonneville individuals and organizational units was evident to some degree in all of the Acquisition Approaches.**

Differences

- **Despite each Approach's team members being empowered by top management, the team members for Billing Credits and Competitive Acquisition, probably because they were more highly structured and involved more people, felt less empowered than those who participated in the other Approaches.**
- **Team members participating in Cowlitz Falls and Targeted Acquisition were essentially hand-picked and, thereby, enjoyed an advantage over the other Approaches where participants were assigned without consideration of the skills required.**
- **The Targeted Acquisition and Cowlitz Falls Approach processes involved small teams which were more flexible and unstructured compared to Competitive Acquisition and Billing Credits.**
- **Billing Credits and Competitive Acquisition involved far more sections/divisions of the Agency at an earlier stage than did Cowlitz Falls and Targeted Acquisition.**
- **The small size of Targeted Acquisition and the Cowlitz Falls Project made communication and coordination of roles and responsibilities easier.**

Key Issues and Contrasts

In any endeavor involving as many people, skills, teams, issues, interests, and policies as the four Acquisition Approaches, there are bound to be a large number of variables and factors which influence the success and outcome of the final product. This analysis attempts to identify and focus upon the key common denominators existing among all of the Approaches which played the greatest role in influencing their outcomes, both individually and collectively. It is our assessment that those key factors and/or common denominators are the following:

- ✓ *Team size, selection, and operation*
- ✓ *Empowerment and decision-making*
- ✓ *Communication*
- ✓ *Trust*
- ✓ *Success*

In comparing the Approaches it is extremely important to remember the differences in scope and size of the Acquisition Approach. Just because something went smoothly for Cowlitz Falls doesn't necessarily mean it could be adapted easily or with no changes to other Approaches.

Team Selection, Size, and Operation

There was significant variation among the Approaches relative to team size and structure. The team process employed in the Cowlitz Falls process was relatively small, with tight time deadlines. From the decision to designate a senior Bonneville official as team leader to the assembly of two small hand-picked teams, the Cowlitz Falls process was designed for negotiating efficiency and effectiveness. In general, both the Negotiating Team and Technical Advisory Team were well coordinated and communicated well with each other. Moreover, with the notable exception of key Finance people, the teams were credited as having the right people involved.

Similar to Cowlitz Falls, the Targeted Acquisition teams were kept deliberately compact and were comprised of a leader and members who were hand-picked and/or volunteered to participate. Again, there was general consensus among those who participated that the teams are comprised of the right people with the right skills, although there was a sense among some that the team will need more people with greater negotiating experience in the near future. Flexibility and negotiating efficiency were priorities for Targeted Acquisition team members.

With both Cowlitz Falls and Targeted Acquisition, the decision to go with small, unified teams consisting of highly qualified and committed team members undeniably contributed to strong morale among team members, a positive relationship with the utility client, and a higher level of cooperation and communication than what was found in the other Approaches.

In contrast to Cowlitz Falls and Targeted Acquisition, both the Billing Credits and Competitive Acquisition Approaches involved large numbers of people, only some of which were specifically hand-picked. Because of the sheer numbers of people involved, communication and the clear definition of roles and responsibilities became both more complicated and more difficult. In both of these Approaches there were a number of highly qualified and committed team members, particularly at the top, but each Approach had many others who were not.

These two Approaches could have benefitted at the onset by the key people deciding what skills would really be needed to make this Approach successful and matching those skills with the appropriate individuals. While some of this was done, too often the response was couched in the terms of "we need someone from Engineering" rather than the specific skills needed.

Also these Approaches could have avoided some of their problems by identifying a specific individual that would be best or by talking to a manager in the Office and describing the types of skills needed. Instead, often a person who may not have had the right technical skills, experience, interpersonal/communication strengths, and savvy required was assigned as the representative of an Office. Compounding this problem was that the representative often did not show up or sent "another representative." The unevenness of the team members' understanding, commitment and participation lead sometimes to frustration and resentment.

When assigning people to teams didn't produce the right people, more members were added to fill the gaps. Although necessary, this further complicated the process. An unintended result of this team expansion was that key input was sometimes obscured due to the large number of participants.

It is important to note that the decision to involve a greater number of Bonneville sections, interests, and teams in the Competitive Acquisition and Billing Credits Approaches also resulted from the recognition by management that the issues posed by the two Approaches were complex, affected many interests within the Agency, and would require intra-agency support and consensus if they were to be successful. Bonneville's top management was seeking an alternative to the old way of doing business where a small group spent enormous amounts of time and effort developing a project and then any one of the Offices could veto or try to veto it at the eleventh hour when their concurrence was requested. Billing Credits and Competitive Acquisition was forging a new way of business in which input from throughout the Agency was sought early on and a collaborative approach was used. While by necessity the teams had to be larger than Cowlitz Falls and Targeted Acquisition, they could be streamlined.

Although the Billing Credits and Competitive Acquisition Approaches were faulted for being overly process-laden and involving too many people, they did serve in part to unify and/or coalesce different Bonneville sections with different interests around a common goal and set of issues. And while Cowlitz Falls was credited for being small and efficient, its lack of inclusiveness, especially relative to the Finance Section, did appear to create inefficiencies and confusion during key stages of the process.

Empowerment

Each of the four Approaches and associated teams were empowered by the Agency to fulfill their respective missions. Differences, however, in the degree or sense of empowerment enjoyed by participants in the various approaches surfaced throughout the evaluation process.

The Cowlitz Falls team was granted significant empowerment throughout the negotiating process, although key policy and risk sharing decisions were largely determined by the AMT. Their empowerment involved not only the authority to make key decisions on significant negotiation issues, but also the ability of key team

members to have virtually unfettered horizontal and vertical access within Bonneville to necessary sections, branches, and decision-makers.

The strength of the empowerment and opportunity to move easily within the system without encountering significant bureaucratic or protocol obstacles was a key factor which distinguished Cowlitz Falls from the other Approaches. The only other Approach which appeared to enjoy a similar degree of empowerment was Targeted Acquisition.

Like the Cowlitz Falls process, Targeted Acquisition received substantial support from top Bonneville management. That support, taken in combination with the team leaders' aggressive use of authority and decision-making prerogatives, helped to make the Targeted Acquisition Approach effective and credible in the eyes of internal and external customers and participants. Another factor which maximized the team leaders' empowerment was the fact that, however difficult the negotiations were, the mission was straightforward and involved a small, core group of utilities.

The picture of empowerment relative to Billing Credits and Competitive Acquisition is less clear than that witnessed in the Cowlitz Falls and Targeted Acquisition Approaches. Top management and some members of middle management believed that the Agency had truly empowered them, their colleagues and staff. While many others, particularly at the staff level, felt the process had started off in the right direction but then management undermined their authority and decision-making prerogatives.

Had the AMT really empowered these teams any less? These two approaches certainly involved many more of Bonneville's customers and both were much more visible within the region and nation. Did this make the AMT and Leadership Teams more reluctant to loosen the reins? Or did the team members enjoy the same empowerment as the other approaches but not fully understand that with empowerment came an obligation to gain input from top management and to defer any policy decisions to higher ups. Therefore, when input was provided by the AMT and Leadership Teams or a policy decision was decided by a staff team and later overturned by more senior teams it was perceived as a definitive sign of empowerment failing. Back to business as usual, some staff thought.

There is reason to believe that the differing views of empowerment had much to do with a lack of effective communication between the AMT and teams. Specifically, the AMT and Leadership Teams may not have adequately explained the basis of their decisions as well as their decision-making prerogatives to teams, or the messenger with the facts may not have effectively conveyed the AMT's reasoning. As a result, team members felt AMT decisions were in some cases arbitrary or insensitive to their efforts.

It is to be expected that all will not run smoothly at first when an organization undertakes great change in their style and operational approach. In the area of empowerment this is particularly true because lines of authority and appropriate span of control are in transition and consequently, may need time to become fully defined. The transitional stresses and associated lack of definition often lead to communication breakdowns and misunderstandings. In general, these factors surfaced most prominently in the Competitive Acquisition and Billing Credits approaches, causing team members to feel less empowered.

Communication

Without question, the quality of the internal and external communication experienced among the four Approaches was directly related to the size of the teams, the complexity of the process, team leadership, and the number of customers involved. Moreover, communication, or the lack thereof, played a key role in influencing the perspectives and experiences of team members, observers, and other participants.

Key factors that promoted good communication were well organized team leaders, written communication tools when appropriate (e.g., meeting agendas distributed well in advance, detailed meeting notes, clear records of internal decisions, simple Approach newsletters, etc., team ground rules/expectations laid out early, and a high level of respect for all of the individuals involved.

Bonneville is still struggling with how to improve communication with the Area Offices in many of its programs. This communication problem was particularly true for Billing Credits, Targeted Acquisition, and Competitive Acquisition. For example in Billing Credits, Area staff would call Headquarters after receiving an inquiry from a customer for an "appropriate" answer to a question. Time would pass before the Area could call the utility back with an answer.

And lastly, all team members should realize that this is a large undertaking for the Agency and in many ways a new approach to the business and that everything can't be clear from the beginning. Some of this will be "learn as we go" and some decisions should be revisited at a later date and perhaps revised. But that this uncertainty should not be taken as a sign of chaos or as grounds for suspicion, but as a natural part of full development of these Approaches.

Trust

Unfortunately, suspicion and distrust of both colleagues and sponsors was evident in every Approach. The degree of distrust and how it manifested itself varied.

Trust really is the foundation of excellent teamwork and good decision-making. And yet this project pointed out how many institutional barriers and cultural traditions at Bonneville have been built up which do not assume or promote trust.

Even in the Approaches that used small teams, which lend themselves best to promoting high levels of trust, some Offices were excluded at key stages because as one member said, *"They always tell you why you can't do something."* Others said that the tradition of distrust is passed down through generations at Bonneville by telling new staff members in a section, *"Twelve years ago we had a bad experience with that group so make sure you are watching everything they do."*

And perhaps, most sadly, too often people were nasty to one another or spoke about each other in the most disparaging ways. While this was by no means universal it was a negative undercurrent observed at all levels in the Agency.

Bonneville is an organization of extraordinarily talented and committed people who operate internally in a very competitive environment. While internal competition can be healthy and promote a strong, diverse organization, its downsides must be aggressively pushed out of the organization.

Success

While it is too early to tell if the four approaches will be successful in providing cost-effective resources for Bonneville there are many encouraging signs shared by all Approaches. Each of the Approaches has met with interest and commitment on the part of sponsors. In the case of Billing Credits and Competitive Acquisition, the interest has been widespread and among a variety of sponsors.

Each Approach has been staffed by a dedicated group of people at the Agency who are trying very hard to make the Approach successful. Each has enjoyed the attention and support of the Agency's top management. And each has received most of the internal resources needed.

X. LESSONS LEARNED

- **Bonneville's Resource Acquisition Approach effort is a very large undertaking with many of the challenges inherent in such large organizational and resource acquisition changes.**

Launching closely together Billing Credits, Competitive Acquisition, Targeted Acquisition Programs, and the Cowlitz Falls Hydroelectric Project was a huge undertaking. Each of these Approaches involves substantial commitment on the part of Bonneville, both to the team concept and the Approaches themselves. Given the fact Bonneville is in load resource balance and attempting to meet new energy needs through new team-based approaches and new risk-sharing parameters the risks and rewards to the Agency are very significant.

Unquestionably, there have been problems, frustrations, and difficulties encountered by Bonneville and external parties alike since the initiation of the Approaches. The fact is that Bonneville and its utility customers are both entering a new era and in many ways redefining their relationship. Thus, it is important for both Bonneville and interested parties alike to understand that it is inevitable in an undertaking as large and complex as the Acquisition Approaches that some unevenness in effort, communication, and implementation will occur in the beginning stages. Problems should also be anticipated due to the numbers of individuals and mix of skills involved. Given time and experience, however, that unevenness should levelize, and greater consistency relative to quality of effort and work should result.

- **Bonneville can attract initially a high level of interest in Acquisition resources.**

As evidenced by submitted proposals, interested sponsors, and negotiating parties, Bonneville can spark interest in new ideas and concepts. For example, the large number of NOI's submitted for Competitive Acquisition demonstrated this caliber of interest. Another illustration is the interest both EWEB and SnoPUD demonstrated in Targeted Acquisition. In addition, there is significant third-party industry interest in generation.

Although there has been a high level of interest evidenced, a high level of participation may not occur. For example, the utility proposals received in conservation are trivial in terms of megawatts. An old paradigm exists; the utility industry does have a high level of interest, but not much evidenced participation in a new approach.

- **Utilities were confused about the options offered by the various Approaches.**

Utilities needed to be better educated and brought more fully on board. The utilities were, to a significant degree, both overwhelmed and confused about the various Approaches. Moreover, the options and benefits of the respective approaches were unclear when first examined and, to some extent, still remain so. The utilities are interested in outcomes and dollar amounts.

In addition, some utilities did not have the expertise to fully respond to a competitive process. Bonneville needs to know this, be prepared, and perhaps provide a higher level of assistance. The smaller utilities in particular had a difficult time understanding the concepts involved in the Approaches and submitting a qualified proposal. Bonneville did not fully anticipate such gaps in understanding or technical sophistication. Furthermore, the utilities may not have been ready to hear the outcomes or even the conceptual extent of the Approaches.

- **Bonneville found utilities cautious and requiring greater amounts of persuasion than anticipated in adapting to new business relationships, accepting new risks, and embracing the Acquisition Approaches.**

Utilities in the region are accustomed to having Bonneville supply energy at cost. The idea of developing their own resources, at the utility's risk, was clearly unsettling to some of them. In addition, utilities, having acted for years as vendors of conservation to Bonneville, experienced a difficult time perceiving themselves as the suppliers.

In addition, Bonneville's expectations relative to the enthusiasm, flexibility, understanding, and conceptual support utilities would extend to the new Approaches were not fully realized. The Acquisition Approaches involved a number of unknowns to utilities, especially in the areas of risk-sharing and verification, which contributed to a go-slow attitude among utilities. Utilities' specific concerns relative to the equity of the risks they were to bear, as well as administrative requirements that did not appear proportional to the resource offered, operated to impede support and progress.

- **The team structure has been embraced and is working relatively effectively; however, there are some glitches.**

Overall, team members and leaders believed the team structure was the best way of managing the type of Acquisition Approaches undertaken by Bonneville. And, such a structure has been accepted by most participants. In addition, the team structure has been successful at achieving alignment throughout the organization.

Unfortunately, this acceptance does not mean Bonneville's work is over in the team-building area. Difficulties and problems remain that, if worked out, would make the structure even better and more efficient. For example, perceptions remain strong among certain teams that their empowerment is not genuine because management has overruled or returned team decisions for reconsideration. While management may feel they are only helping the teams by providing input into their decisions, this is not necessarily known or understood by the teams. This is an issue that may be resolved by management more clearly communicating where team decision-making authority ends and management decision-making prerogatives begin.

A second issue or problem area is communication. Only two of the Approaches experienced what can be described as good communication among their teams, Cowlitz Falls and Targeted Acquisition. Billing Credits and Competitive Acquisition, because of the sheer number of people involved, the tough policy decisions (e.g., endorsement, risk, etc.), and, often, the historical lack of trust among staff, continue to experience communication difficulties. Immediate genuine attention and effort needs to be devoted to this problem.

Third, involving the right people from the start and throughout the process is key. A lesson learned in the Cowlitz Falls process was that the Finance people were not effectively involved and/or represented from the start. In addition, the assigned members in the other projects in several instances did not possess the necessary skills and expertise. Bonneville should consider re-evaluating who needs to be involved in Billing Credits and Competitive Acquisition.

- **The lack of ability to appeal AMT decisions is a positive attribute.**

Once the AMT makes a decision, members are able to ask their colleagues to reconsider the decision, but they cannot appeal to a higher authority. This will force more communication and better teamwork. It will hopefully eliminate end-runs to the Administrator that serve only to make the process dysfunctional. Having this ground rule in place from the beginning is important. It was a systematic process to induce decisions within the team structure.

- **Customers felt threatened by Bonneville's process.**

Comments were made by the majority of external customers interviewed that Bonneville is unable to form positive partnerships. One comment was made that *"Bonneville is at a low point with its customers. They are out of touch and have not developed a common vision."* Other external interviewees stated that Bonneville was not addressing critical issues (like facility siting and anti-trust actions) at a high enough level of management.

External interviewees also felt that Bonneville was not promoting a shared vision with the rest of the region. One interviewee stated that *"Bonneville needs to acknowledge that there is a need to form partnerships with utilities and allow the utilities to co-design the Acquisition Approaches."*

Some questioned whether Bonneville was serious about competitive bidding, and whether they would actually be able to get the resources they wanted to acquire. Other comments suggested that Bonneville substituted its own new and unique terminology for terms commonly used in the real world.

Others felt they would like to see Bonneville adopt a much more assertive process and decide on issues and then stick to their decisions.

- **Bonneville must be successful in the first round in both reality and perception if customers and the public are to view Bonneville as a reliable business partner.**

While there is a general consensus that the Bonneville Acquisition Approaches hold great promise for the Agency and customers alike, that promise may only be realized by the successful implementation of its first round of solicitations. And although Bonneville's customers may have some reservations about the Approaches,

they do want Bonneville to succeed. Moreover, they want to feel confident that Bonneville is an able and trustworthy business partner.

Thus the stakes are critical for conducting a successful first round if: (1) Bonneville is to establish credibility for the Approaches and its own ability as a manager and (2) if the Agency intends to pursue a second round of bids for Competitive Acquisition or proposals for Billing Credits. Should implementation of the first round be poorly executed or if Bonneville is perceived as an unreliable business partner by its customers, the Agency might find it very difficult to attract quality participants in a second round.

commit sufficient effort when needed. Top management, especially, must dedicate their staff and show their support or else a process will fail. This does not mean that other work responsibilities must suffer. Greater commitment and quality work can be achieved by improving internal communication, enhancing team leadership and meeting organization skills, and working to ensure team size and membership is appropriate to the tasks at hand. All of these ingredients can contribute to higher morale and productivity among participating Bonneville staff.

- **Hand-pick team members and scrutinize team sizes.**

When assembling teams, management may want to consider the following decision-making process. First, clearly identify the skills and areas of expertise required by the Approach. These may vary from leadership abilities, organizational skills, and substantive issue knowledges, to technical expertise in such field as finance, transmission, verification, and evaluation.

Second, instead of assigning people to be a part of the team, Bonneville should seek out qualified volunteers or solicit names of those people whose skills best meet project, process, or Approach needs. Asking key people with not only substantive experience but genuine interest to be a part of the team proved very successful in the Targeted Acquisition and Cowlitz Falls Approaches. Moreover, it helps build internal trust and *esprit de corps* which in turn promotes team work efficiency and communication.

Third, provide specific training to those leaders and team members selected. Bonneville should strongly consider hiring consultants to hone respective team members' required knowledge and expertise where gaps remain. This is a process which should be taken immediately with existing teams.

Another step Bonneville should immediately take is to scrutinize existing teams to determine: (1) if the right people with the necessary skills are involved and (2) whether the appropriate number of individuals are involved. As with any team or process, the involvement of too many people can impede progress and result in diminishing returns. Once the above determinations have been made, steps should be taken to cut down team sizes, streamline their operations, and involve only those people which are necessary and provide a high value-added contribution to the process.

- **Strive for a higher level of trust among teams and team members.**

Trust among team members and leaders was missing in many teams. Lack of trust was also evident among the Approaches. Competition among the acquisition processes surfaced largely because of lack of communication, coordination, and mutual understanding of others' goals, principles, prices, and policies. Resentment and distrust also arose due to experiences which occurred in years past on other projects. Bonneville needs to squarely acknowledge this problem and take all necessary steps to encourage greater organizational unity and trust, and to eliminate distrust and grudges. Some solutions to curing this problem may lie in more training and greater management role modeling.

Bonneville needs to do a better job of communicating internally on how the acquisition processes can work together and help people understand that they are a family of strategies, not competitors, with each possessing their own unique features,

XI. RECOMMENDATIONS

- **Provide additional training to team leaders and members.**

Team leaders and members need a key set of skills that only a few currently possess. These include leadership, meeting effectiveness, negotiations, project management, and communications. Bonneville should at the inception of teams, as soon as possible and for existing teams, require training to fill in the skill gap.

- **Offer outside process assistance and negotiators to the Acquisition teams.**

With an undertaking as large and complex as Billing Credits and Competitive Acquisition, Bonneville should make available the services of a process/management consultant from either inside or outside the Agency. This person could help the Leadership Team and other team members troubleshoot any problems with this new type of decision-making. This type of assistance is quite common in companies undergoing similar change. Assistance with organizational development is key.

In addition, since not all teams may be able to get facilitation training immediately, Bonneville should offer facilitation services to ALL teams. Reaching consensus on tough issues was not adequately addressed by the teams. Teams tended to drop an issue if consensus could not be reached. In order to foster consensus, a facilitator or facilitation skills should be utilized.

Furthermore, Bonneville should consider using the services of outside negotiators or mediators to negotiate contracts and/or coach teams. In addition to acting as advocates for Bonneville interests, experienced outside negotiators can provide straight talk to Bonneville as to what is or is not reasonable in a negotiating process.

- **Complete the Competitive Acquisition and unsolicited processes in no more time than the other utilities in the region.**

To prove successful, the acquisition processes need to be a high work priority of each and every team member/leader and manager. Bonneville is competing with other large Northwest utilities that could well be, but aren't, running more efficient, flexible, and timely acquisition processes than Bonneville. Bonneville must be sensitive to this reality and the fact that the Agency may lose valuable, cost-effective resources to competing utilities unless it takes tangible steps to improve process efficiency.

Throughout the current processes, managers did not emphasize to staff the importance and stakes of the Approaches. Therefore, many members did not

benefits, and risks. Cross communication is needed among teams so people can share their experiences and benefit other programs.

One means of improving communication may be to have each Acquisition Approach publish its own internal newsletter which would detail decisions made, parties involved, relevant AMT policy discussions, next steps, and meeting schedules. Such newsletters should be distributed within Approach teams, as well as to other Approach participants. Taking this and other steps to improve communication could ultimately lead to a greater sense of cohesion and unity among teams, and fewer frustrations and turf struggles.

- **Provide assistance to customers in understanding and participating in the Approaches.**

One of the key problems facing utilities was how to sort out and distinguish the relative benefits, risks, and disadvantages of the various Approaches. Oftentimes utilities were unable to clearly discern how to match resources with Acquisition Approaches. Consequently, utilities were faced with the decision to pursue all Approaches (which was a daunting prospect), choose among them (with little confidence), or forego participating in the Approaches. Clearly, it is not in Bonneville's interests to so discourage or frustrate utilities that they do not participate in the Approaches. Consequently, Bonneville needs to identify ways in which it can provide assistance to utilities that will resolve their frustrations and bring resources on line.

Since this is a first test of the three Approaches at Bonneville, many answers to the utilities' questions aren't known yet. Under which Approach will I get paid the most money? Which Approach has the most downside risk for my utility? Even if Bonneville can't answer all the questions, however, it could provide timely, straight-forward information that it does have.

Assistance could be given in two ways. First of all, Bonneville needs to provide a clear, easy way to understand delineation of options. A matrix representing the various Approaches and their corresponding benefits, requirements, and pitfalls should be developed. Utilities, time and time again, mentioned the lack of clarity between the different Approaches. A matrix would greatly enhance a customer's ability to choose a program and to make the right decision.

Bonneville should also make a more concentrated effort to improve the ability of Area offices to provide more timely, quality information and assistance to utility customers. Participation and encouragement by the utilities is a crucial element to the success of any Acquisition Approach. Unfortunately, many of the Area representatives did not feel comfortable making necessary decisions in a timely manner without involvement from their manager. In addition, the Area managers appeared ambivalent about certain Approaches, such as Billing Credits. These factors discouraged Area representatives from truly helping their customers. Furthermore, by providing additional support in the Areas, many of the misconceptions of the policy and incomplete proposals may have been avoided. Therefore, it is important to provide more hands-on assistance to the utilities, especially during the proposal preparation. With Area staff spread thin, this solution may prove problematic.

As a final note, Bonneville may be losing resources they might otherwise be capturing due to the fact that some utilities are feeling overwhelmed by attempting

to evaluate and respond to three different Acquisition Approaches. Each Approach entails significant Bonneville administrative/information demands of utilities which are struggling to determine which program is the best for them. As a result of the sorting out process, workload, and lack of programmatic information, utilities are having some difficulty in responding and developing acceptable proposals.

- **Educate the rest of Bonneville so there are 3,000 winners, instead of 100 winners and 2,900 losers.**

The Agency runs the risk that the high-profile and excitement of these new Acquisition Approaches will make other Agency staff feel disenfranchised. If they do, they will resent the projects and not do what they can to move them forward. Bonneville needs to be mindful of this and make explicit efforts to have these new Acquisition Approaches be a shared vision among the entire staff.

- **Be creative in solving the roadblocks that undoubtedly arise.**

Bonneville needs to adopt an attitude of how can we do this rather than why we can't. This does not mean abandoning caution and prudence, but rather developing an aggressive, can-do attitude among decision-makers that rewards innovation, creativity, and flexibility.

- **Define more explicitly which risks Bonneville should take. Accept those that no one has control over (e.g., weather and business cycles).**

Bonneville, as a major Federal entity, must obviously be prudent relative to the risks it takes with projects and customers. Certainly, everyone in the region is gun-shy, after the supply system experience in the 1970's. However, policies, programs, and approaches that are too preoccupied with minimizing or avoiding risk, will not benefit the Agency in the short or the long run.

The utility industry, both nationally and regionally, is undergoing major transition at this time. Moreover, Bonneville is far from immune from the new competitive pressures facing private and publicly-owned retail electric utilities. If Bonneville is to secure the resources it needs in the future, it must realize that the pursuit of the most attractive resources will not come risk or cost-free. One way or another, Bonneville will be paying for risk; either by paying for it through project costs (e.g., self-insurance), or by refusing risk and, thereby, driving money, projects, and proposals out of the region, or increasing the cost of the resource to its customers.

While sponsors are willing to engage in new Approaches, they, like Bonneville, must also weigh the equities of the risks they are asked to bear and the rewards that may come. Bonneville views risk in one way which could be viewed in a different way by the sponsor. As Bonneville moves forward with its Approaches, it should keep the utility perspective in mind, as well as acknowledge the rapid changes occurring in the utility industry and marketplace may require greater risk and initiative to succeed in the long run. If the risk is to shift, Bonneville must be willing to pay for it.

- **Think ahead to the next acquisition phase.**

It is natural in every new major endeavor to worry only about pulling off the current phase of the project. Bonneville needs to plan ahead and envision the next rounds of resource acquisition in order to groom talented, savvy, and experienced staff.

Bonneville has begun to educate staff, so why not continue to groom these team members throughout the process? These same people can then take over the next round and will have gained valuable acquisition experience.

XII. EPILOGUE

Will Bonneville be successful in acquiring resources through these Approaches? Our prediction is YES - but how much it will get, at what cost, and whether it will be enough to meet the needs of the region will be highly dependent on three factors:

1. **TIMELINESS** - *Will Bonneville make decisions in a timeframe attractive to the proposers of the cheapest and most environmentally benign resources, or will the Agency ignore the competitive environment and move at its own pace?*
2. **TRUST AND COMMUNICATION** - *Will the people at Bonneville take the necessary steps to greatly increase their trust and communication with co-workers and other sections of the Agency, or will they continue to assume that if they aren't directly involved in as many details and decisions as possible, the other people are bound to get it wrong?*
3. **BARRIERS** - *Will Bonneville aggressively seek out creative solutions to the institutional, contractual, and other barriers to success, or will Bonneville staff resign themselves to all the roadblocks?*

The answer to these questions will depend on whether the people at Bonneville, just as they are asking their customers and sponsors to take new risks, can take the risks that are required of themselves, while providing exceptional leadership at every level to meet the resource acquisition challenges of the 1990's.

XIII. APPENDICES

A. ANNOTATED BIBLIOGRAPHY

A. COMPETITIVE ACQUISITION

Bonneville Power Administration. *Competitive Acquisition Program*. January 1991.

This document highlights the basic elements of the Competitive Acquisition program. Laid out in bullet form, the specific elements such as program objectives, process, threshold requirements, compliance issues, and evaluation processes are detailed.

Bonneville Power Administration. *Cover Letter and Draft Request for Proposals to Supply Firm Electric Energy*. (Not dated material.)

This document constitutes the cover letter and request for proposals to supply firm electric energy through competitive bidding for generation. General procedures, schedules, definitions, threshold requirement, proposal evaluation, and contract negotiation are covered in detail.

Bonneville Power Administration. *Notebook*. (Not dated material.)

This notebook outlines a draft work plan for the competitive bidding for Conservation Resources program. It also provides a straw program description, issues list, and subsequent discussion statements. A public involvement process is outlined and the Technical Review panel representatives are listed.

Bonneville Power Administration. *Request for Proposals: Competitive Acquisition of Firm Electric Energy Conservation Resources*. 1991.

This packet contains the Request for Proposals for Conservation Resources under the Competitive Acquisition program. Also included is the sponsor's response packet.

Bonneville Power Administration. *Request for Proposals: Competitive Acquisition of Firm Electric Energy Generation Resources*. 1990.

This packet contains the Request for Proposals for Generation Resources under the Competitive Acquisition program. Also included is the sponsor's response package.

Bonneville Power Administration. *Request for Proposals to Supply Firm Electric Energy - Response Package 1990 Solicitation*. 1990.

This document is a draft RFP to Supply Firm Electric Energy. In addition to supplying background information, the document acts as the response package for potential sponsors.

Bonneville Power Administration. *1990 Resource Program*. July 1990.

Providing the overview for Bonneville's 1990 Resource Plan, this document describes the analysis, thought process, and conclusions of how the plan was developed. It also describes the actions Bonneville will take to develop the new resources needed to meet with the power requirements of its customers.

Department of Energy, Bonneville Power Administration. *Bonneville Power Administration Generating Resource Acquisition Process*. August 1990.

This document outlines the reasons why Bonneville chose to develop new acquisitions and describes the advantages. The document also provides critical background information on how Bonneville proposes to work with other governmental, utility, and public agencies to acquire new generating resources.

Division of Resource Management, Generation Programs Branch, Bonneville Power Administration. *Draft Proposal for a Demand-Side Competitive Bidding Pilot Program*. March 1990.

This document provides the framework that describes the process, goals, objectives and guidelines for a potential sponsor to respond.

Division of Resource Management, Generation Programs Branch, Bonneville Power Administration. *Process Document for the Conservation Competitive Bidding Pilot Program*. September 1990.

This document outlines the process for the Conservation Competitive Bidding Pilot Program and incorporates key changes provided to Bonneville through public comment.

Frame, Rodney, and David L. Weitzel, Ph.D., National Economic Research Associates, Inc. *An Evaluation of Resource Solicitation Alternatives*. January 31, 1990.

Contents of this document give an overview of current utility practice in resource solicitation. Two areas of risk relating to Bonneville's resource acquisition, processes, purchase options, and site-bank options, are also discussed.

Frame, Rodney, National Economic Research Associates, Inc. *Issues Concerning Selection Criteria Development RFP's*. February 15, 1990.

This document addresses issues concerning the selection criteria development for capacity RFP's to procure generation capacity. Contents discuss mechanisms to mitigate and allocate risk between the purchaser and the developer and outline various "noneconomic" factors that can be used to evaluate generation projects. In addition, the document describes approaches to integrate economic and noneconomic factors and outlines oversight potential and administrative costs.

Frame, Rodney, and David L. Weitzel, Ph.D., National Economic Research Associates, Inc. *Nonutility Generators and Bonneville Power Administration*. January 31, 1990.

This document reviews issues concerning the "special needs" of nonutility generators (NUG's) and advises Bonneville on the advantages and disadvantages of producing a separate acquisition policy for small resources.

National Economic Research Associates, Inc. *State Environmental Requirements and Permitting Procedures in the Bonneville Power Administration's Resource Acquisition Process*. January 31, 1990.

This document reviews and evaluates the environmental requirements and permitting procedures in Bonneville's region. Focus is placed on how these regulations will affect the Bonneville acquisition process.

Oster, Dennis, Supervisory Public Utilities Specialist - RMG, Bonneville Power Administration. *Memorandum Regarding Draft Request for Proposals for Firm Electric Energy Supply*. September 13, 1990.

This memorandum is a request for staff review and comment on the attached draft solicitation and response package for generating resources. The memorandum also includes the list of team members for the Generation Resource Competitive Acquisition program and the Process Schedule for Generating Resources Near-Term.

von Muller, Tom, Public Utilities Specialist - RMG, Bonneville Power Administration. *Memorandum Regarding Request for Written Comments on Draft Demand-Side Competitive Bidding Proposal*. March 27, 1990.

This memo, attached to the draft proposal, requests review and comments from staff prior to release for public comment.

B. BILLING CREDITS

Bonneville Power Administration. *Bonneville Power Administration Billing Credits Policy*. August 30, 1984.

A policy was developed in response to the Regional Act of 1980 to properly address the issue of Billing Credits. This policy details important elements of the Billing Credits process. The policy includes details on appropriate definitions, the application process, the evaluation process, methodologies and formulas, and other vital information for public consumption.

Bonneville Power Administration. *Bonneville Power Administration Billing Credits Solicitation*. July 9, 1990.

Besides providing background information on the Billing Credits process, the solicitation details the steps in the application process. Forecast rates and other costs are also detailed. In addition, the evaluation process, including selection and negotiation, have been outlined.

Bonneville Power Administration. *Issues Resolution Log*. August 20, 1990

In response to questions raised by utilities, an Issues Resolution Log was developed to specifically address their questions with appropriate answers and to offer a way of communicating other issues. Questions which were raised range from specific questions on the Solicitation to clarification of definitions to calculation of Billing Credits to application/evaluation process. In addition, a summary of those utilities who have sent a "Notice of Intent" as of August 20, 1990 was attached.

Bonneville Power Administration. *Letter to Bonneville Customers and Public Participants Regarding Billing Credits and Bonneville's Solicitation*. August 20, 1990.

This letter was written in response to a large number of questions raised by utilities about Billing Credits and Bonneville's solicitation. (Bonneville developed a "log" to address these questions with appropriate answers.) Furthermore, the letter summarizes the total number of "Notice of Intent" statements, their corresponding resource types, and associated savings estimates. The letter concludes with an invitation to an upcoming meeting.

Bonneville Power Administration. *Public Involvement Plan*. May 17, 1990.

This is the plan of the public involvement process for the Billing Credits alternative. The document reviews the purpose, background, and approach, as well as the major issues, key audiences, and overall processes for the Billing Credits alternative. In addition to outlining outstanding issues (at the time), program development is described in three separate phases. A detailed schedule of public involvement activities, dates, responsibilities, and coordination with the All-Source solicitation are also included.

Executive Assistant Administrator, Bonneville Power Administration.
Memorandum Regarding Policy Committee Agenda. May 25, 1990.

This memorandum details the date, time, and agenda items of a policy committee meeting. In addition, informational material were attached. These materials include a detailed background description, program objectives, timeline, schedule, and list of visits to utility managers. Billing Credits scenarios over the next 45 years were also included. Developed by the Bonneville Power Administration on May 25, 1990.

Hickey, Sue, Bonneville Power Administration. *Memorandum Regarding Resource Acquisition.* May 8, 1990.

This memorandum asks Bonneville staff to serve on the Resource Acquisition Management Team, and describes the team's purpose. Several attachments were included, such as a timeline for both the Billing Credits and All-Sources solicitation process, an organizational structure of the teams and assignments, and a copy of a letter sent to interested parties describing the Billing Credits public process. Developed by the Bonneville Power Administration on May 8, 1990.

Norman, Paul, Bonneville Power Administration. *Memorandum Regarding Billing Credits Team.* June 11, 1990.

This memo serves as an introductory letter to new team members. It explains who to call if there are questions. Background materials on the Billing Credits program were attached. Developed by the Bonneville Power Administration on June 11, 1990.

Skarra, Paul, Clatskanie People's Utility District. *Letter.* January 31, 1991.

Clatskanie People's Utility District wrote a letter to inform Bonneville of the utility's decision to withdraw their Billing Credits proposal for two reasons: 1) too complex and confusing an application process for their simple conservation proposal; and 2) verification and record-keeping requirements very costly due to the small size of their proposed program. The utility suggests designing a less comprehensive application and tailoring certain requirements for each program.

C. TARGETED ACQUISITIONS

Bonneville Power Administration. *Activity Summary of Targeted Acquisition Strategy Team Meetings in September, 1990.* October 5, 1990.

A summary of the Targeted Acquisition Strategy team meeting held September 12 with Snohomish Public Utility District conservation officials regarding their interest and participation in the TAP program. A summary of the Targeted Acquisition Program strategy team held September 21 to update management on TAP status and activities.

Bonneville Power Administration. *Energy Resources: A broader vision for the 1990's*. July 19, 1990.

A series of narrative charts detailing Bonneville's assessment of its energy resource development efforts in the 1980's, cost and benefits, evaluation of future energy needs and possible sources, underlying resource acquisition goals and policies, and the specific programs, processes, timelines, and approaches that will be employed to meet Bonneville's resource acquisition goals.

Bonneville Power Administration. *Targeted Acquisition Projects - Commercial Sector, Talking Points for Answering PIP Questions*. August 24, 1990.

A summary of the four Resource Acquisition Programs offered by Bonneville with specific emphasis on characteristics and goals of the Targeted Acquisition Program for Bonneville's Programs and Perspectives meetings held in 1990.

Olsen, Darryll. *Bonneville's Targeted Acquisition Program for the Commercial Sector is Open for Business (Memo)*. September 28, 1990.

Memo provides announcement of Targeted Acquisition Program availability, Bonneville Power Administration contact names and numbers, and attachments which include: a fact sheet detailing Targeted Acquisition Program Contract Principles, review of incentive payments and verification, agenda from Bonneville's Targeted Acquisition Team's September 27 briefing meeting with interested parties, and a question and answer document addressing characteristics of the Targeted Acquisition Program. Material assembled by PNUCC.

D. COWLITZ FALLS HYDROELECTRIC PROJECT

Acquisition Management Group. *Memorandum*. August 14, 1990.

Discusses releasing Cowlitz Falls from the competitive acquisition process.

Auburg, C. Douglas. *Memorandum to Cowlitz Falls Negotiating Team regarding Cowlitz Falls Fishery Environmental Issues Briefing*. December 6, 1990.

Memo is an invitation to attend an environmental briefing session on Cowlitz Falls fishery and regulatory compliance matters.

Bonneville Power Administration. *Acquisition Management Team Briefing Paper*. October 16, 1990.

Document addresses whether to approve the draft Power Sales Contract and whether to indicate Bonneville's intent to exercise its option.

Bonneville Power Administration. *Agenda and Minutes of October 30, 1989 Cowlitz Falls Negotiation Meeting.* (Not dated material.)

This document details the meeting agenda and contains the minutes of the meeting involving the Bonneville Power Administration negotiating team and the Lewis PUD negotiating team.

Bonneville Power Administration. *Bonneville Power Administration Generating Resource Acquisition Process.* August 1990.

This document addresses the need for an efficient procedure to solicit, secure and evaluate needed new resources that can meet Bonneville's load obligations. The resource program, approaches, and competitive acquisition process are described in detail. Discussion regarding environmental review, intergovernmental relations, power sales contract issues, and public affairs issues are included.

Bonneville Power Administration. *BPA This Week.* January 7, 1991.

This news update announces that the Cowlitz Falls environmental impact statement was adopted clearing the way for Bonneville to exercise its option to acquire the project.

Bonneville Power Administration. *BPA This Week.* February 4, 1991.

This news update announces that the Cowlitz Falls Contract has been signed and provides a summary of details and costs.

Bonneville Power Administration. *Concepts for the Cowlitz Falls Option Agreement.* (Not dated material).

This document details proposals for the terms to be included in the Cowlitz Falls Option Agreement. Issues raised include option period, power sales contract terms, construction start period, and initial consideration.

Bonneville Power Administration. *Cowlitz Falls Option Principles.* October 23, 1989.

A six point listing of basic option principles for the Cowlitz Falls project.

Bonneville Power Administration. *Draft Contractual Elements - Cowlitz Falls Option Contract.* November 20, 1989.

Provides a definition and explanation of contract terms.

Bonneville Power Administration. *Memorandum Outlining Contract Terms for Cowlitz Falls Option.* (Not dated material).

The document outlines the key issues posed by the option, roles, and responsibilities of Lewis PUD and Bonneville Power Administration and the elements of a potential option agreement contract.

Bonneville Power Administration. *Power Purchase Contract Provisions*. August 14, 1990.

This document details the definitions, elements, roles, and responsibilities of the Power Purchase Contract between Bonneville Power Administration and Lewis PUD.

Bonneville Power Administration. *Principles for a Proposed Acquisition Contract for the Cowlitz Falls Resource*. November 21, 1989.

This document summarizes alternate sets of principles Bonneville Power Administration and Lewis PUD may use in developing an acquisition contract.

Bonneville Power Administration. *Project Description and Background*. (Not dated material).

This document describes the physical and generation characteristics of the Cowlitz Falls project and provides a project history which details highlights of the permitting processes Lewis PUD engaged in, highlights of Bonneville's involvement with the project, and significant environmental issues raised by the project.

Bonneville Power Administration. *Option Agreement Executed by the United States of America Department of Energy, acting by and through the Bonneville Power Administration and Lewis PUD*. May 5, 1990.

This document constitutes the formal option agreement executed between Bonneville Power Administration and Lewis PUD.

Cowlitz Falls Advisory Team. *Memorandum to Cowlitz Falls Negotiating Team Regarding Power Sales Contract Terms*. July 10, 1990.

This document addresses the use of project output, project oversight, test energy, project integration, and project timing.

Cowlitz Falls Advisory Team. *Memorandum to the Cowlitz Falls Negotiating Team Regarding Power Sales Contract Terms*. September 5, 1990.

This memo addresses the budget/payment process, project performance, and scheduling.

Friends of the Cowlitz. *Letter to Terry Esvelt, Seattle Area Manager, regarding Cowlitz Falls fish passage issues*. (Not dated material.)

Letter describes history of Cowlitz Falls, damage to fishery in area from past actions, critiques mitigation agreement, and recommends fish passage and protection steps.

Hall, Ellen J., Ph.D., EBASCO. *Draft Report of Cowlitz Falls Project FEIS Review*. August 14, 1990.

This document is Cowlitz Falls Final Environmental Impact Statement and checklist.

Hall, Ellen J., Ph.D. *Letter to Robert Moulton Regarding Preliminary Assessment of the Cowlitz Falls Project FEIS Review.* August 10, 1990.

Letter discusses the adequacy of the FEIS and subject requiring updating in the report. Prepared by EBASCO.

Hickey, Sue, Assistant Administrator. *Letter to Gary Kalich, Lewis PUD Manager regarding Notice of Intent and Cost Escalations.* October 31, 1990.

Kalich, Gary, Lewis PUD Manager. *Letter to Sue Hickey, Assistant Administrator.* November 5, 1990.

This letter by the Lewis PUD Commission is a Resolution to approve the Power Purchase Contract with the Bonneville Power Administration.

Lewis PUD. *Cowlitz Falls Option Agreement Principles.* March 1, 1990.

This document details the Lewis PUD position of what the option agreement principles should be in a contract with the Bonneville Power Administration.

Lewis PUD. *Lewis PUD Background Documents Regarding Cowlitz Falls, Rates, and Fishery Impacts.* (Not dated material.)

Documents describe the project, customer benefits, and fishery issues surrounding the project.

Moulton, Robert. *Memorandum to Cowlitz Falls Negotiating Team regarding Draft Power Sales Contract Terms.* September 14, 1990.

This document invites team members to comment on draft Power Sales Contract and attend a meeting on the subject.

Moulton, Robert. *Memorandum to Files Regarding October 23, 1989, Cowlitz Falls Negotiating Meeting.* October 23, 1989.

This document details meeting events including the project leader's review of team member roles and responsibilities, review of Bonneville's general principles, review of Lewis PUD concept and contract requirements.

Moulton, Robert. *Memorandum to Files Regarding February 21, 1990, Cowlitz Falls Negotiating Meeting.* February 26, 1990

The memo discusses activities of Lewis PUD regarding project issues and impacts, contractor issues, Bonneville contract proposals and possible timelines for the contract.

Mundorf, Terry, Lewis PUD. *Memorandum to Sue Hickey regarding Regional Query on Cowlitz Falls Acquisition.* April 27, 1990.

This document provides a context and explanation for Bonneville Power Administration's option agreement with Lewis PUD and details the relevant issues, elements, benefits, and options underlying the agreement between the parties.

Preston, Thormgrimson, Shidler, Gates and Ellis. *Lewis PUD Resolution Creating and Establishing the Cowlitz Falls Hydroelectric System as a separate system of Lewis PUD; Providing a Plan and System for the Acquisition and Construction of Additions, Improvements, Betterments and Extensions Constituting such Hydroelectric System; Creating and Establishing and Issue of Cowlitz Falls Hydroelectric System Revenue Bonds, Fixing the Form and Covenant of Said Bonds, and Establishing Certain Funds and Accounts.* September 27, 1990.

Scott, Jo Ann C., Bonneville Power Administration. *Bonneville Power Administration Public Announcement Regarding Cowlitz Falls Environmental Impact Statement.* December 13, 1990.

Document announces that final Cowlitz Falls EIS and attachments are available to the public.

Tuck, Nandranie, Bonneville Power Administration. *Memorandum to Syd Berwager Regarding January 25, 1990, Meeting between Bonneville Power Administration and Lewis PUD to Discuss FERC Environmental Impact Statement.* February 7, 1990.

Document discusses content of meeting designed to brief the Cowlitz Falls Project team of the environmental review process requirements.

Washington, Percy, Gaia Northwest. *Letter to Robert Moulton Regarding Preliminary Report of Cowlitz Falls Fishery Issues.* August 9, 1990.

Letter discusses fishery issues and concerns involving the project, Lewis PUD, Bonneville Power Administration, state agencies, and environmental organizations.

Zarnekee, Carolyn, Techwriter Systems. *Transcript of the Public Meeting for the Cowlitz Falls Project.* August 20, 1990.

This document details the questions, issues, concerns and responses elicited at a public meeting held in Chehalis, Washington, to receive public comment about the Cowlitz Falls project and the role of the Bonneville Power Administration.

B. INTERVIEW PROTOCOLS

COMPETITIVE ACQUISITION

A. INTERNAL

1. What are your job responsibilities within the Competitive Acquisition team and for Bonneville overall? How long have you had these? With whom do you interact?
2. What role did you play or are you currently playing in Competitive Acquisition? How and why did you get involved? Were you involved in conservation, generation, or both?
3. Are you currently a team member? Which team? Did you ever want to be a part of the team? What was the structure of your team? Who were the other key players with whom you interacted most closely? Were the other team members cooperative? Was this the most efficient way in which to plan and manage this type of acquisition?
4. Were the roles and responsibilities of each of the teams clear? Was the team leadership effective? Were any people or skills missing which could have benefitted the process? Describe the mechanisms used to foster coordination and communication among teams. Were the team members empowered to make decisions? What decisions were they empowered to make?
5. How was the Competitive Acquisition Program developed? Did it have a formal policy document? Was the Competitive Acquisition approach clear and distinct from the other Approaches? If not, identify areas that were not clearly defined.
6. How were decisions reached in the various phases of the process? Were timelines and target dates for decisions set? Who set these timelines and dates? Were timelines and dates met consistently?
7. Was the number of meetings held during the process development appropriate? Were the correct people at the meetings? Were meetings held for the appropriate length of time?
8. How did the process unfold?
9. When the process began, did you feel the underlying policy driving the process and the goals were understandable and realistic? Who defined the policy and goals?
10. Did you receive feedback after you provided input into the process?

11. Were there strong or weak areas in the process that stood out? Were they recognized and addressed? What changes would you suggest?
12. Do you think the R-7 team provided appropriate support?
13. Was there a process to receive public input? Did it contribute to the process? What changes would you recommend?
14. What were the Competitive Acquisition objectives? Have the objectives been met?
15. Will any aspects of Competitive Acquisition's implementation leave Bonneville vulnerable to charges of waste, fraud, or mismanagement of government funds?
16. Did any of the other Acquisition Approaches' processes conflict with Competitive Acquisition such that negative consequences resulted for Bonneville or other parties?
17. Do you expect to be involved in Competitive Acquisition in the future?
18. What suggestions do you have for improving the Acquisition process at Bonneville?

B. EXTERNAL

1. How did you hear about Competitive Acquisition? How and why did you become involved? Were you involved in conservation, generation, or both?
2. Are the Resource Acquisition Approaches clear and distinct from each other? Is there any confusion as to what each offers and to whom? Identify such areas.
3. Did Bonneville provide you with sufficient information to make a confident and informed decision about your participation (or lack thereof), or was it necessary to request additional materials/information?
4. Did you have any difficulty in identifying utilities that place firm load on Bonneville?
5. Did you understand the cost-sharing element of the conservation segment of the project?
6. Did you provide input into the process? Do you think your opinion was considered important to Bonneville?
7. Did you feel the process was sufficiently creative and flexible to meet your needs?
8. Was it clear who had authority within the Bonneville team to make decisions and take positions during the acquisition phase; the solicitation phase?
9. Do you feel all of the appropriate people were involved in the solicitation process? Were there some omissions (Bonneville or external)?
10. Was the Public Involvement Process adequate?
11. What changes or improvements could be made to such a process in the future?
12. Will any aspects of the Competitive Acquisition's implementation leave Bonneville vulnerable to charges of waste, fraud, or mismanagement of government funds?
13. Have you ever participated in another utility's competitive bidding process? How does Bonneville's compare? Which process was better and why?
14. Do you have any other major concerns about Bonneville or its actions/policies that have influenced your opinion about Competitive Acquisition? Do you foresee any unanticipated consequences that could have a negative impact on Bonneville or participating utilities?
15. What suggestions do you have for improving the Acquisition process at Bonneville?

BILLING CREDITS

A. INTERNAL

1. What are your job responsibilities within the Billing Credits team and for Bonneville overall? How long have you had these? With whom do you interact?
2. What role did you play or are you currently playing in Billing Credits? How and why did you get involved?
3. How and when were you informed about Billing Credits? What are (were) your specific roles and responsibilities in the Billing Credits process?
4. How was the Billing Credits acquisition developed? Is the Billing Credits approach clear and distinct from the other Approaches? Identify areas that were not clear.
5. Are you currently a team member? Which team? Did you ever want to be a part of the team? What was the structure of your team? Who were the other key players with whom you interacted most closely? Were the other team members cooperative? Was this the most efficient way in which to plan and manage this type of acquisition?
6. Were the roles and responsibilities of each of the teams clear? Was the team leadership effective? Were any people or skills missing which could have benefitted the process? Describe the mechanisms used to foster coordination and communication among teams. Were the team members empowered to make decisions? What decisions were they empowered to make?
7. How were decisions reached in the various phases of the process? Were timelines and target dates for decisions set? Who set these timelines and dates? Were the timelines and dates met consistently?
8. Was the number of meetings held during the process development appropriate? Were the correct people at the meetings? Were meetings held for the appropriate length of time?
9. How did the process unfold?
10. When the process began, did you feel the underlying policy driving the process and the goals were understandable and realistic?
11. Did you receive feedback after you provided input into the process?

12. Were there strong or weak areas in the process that stood out? Were they recognized and addressed? What changes would you suggest?
13. Do you think the R-7 team provided appropriate support?
14. Was there a process to receive public input? Did it contribute to the process? What changes would you recommend?
15. Were the Issue Resolutions Logs/Comment Summaries used? If so, did they serve a useful purpose?
16. What were the Billing Credits objectives and have they been met?
17. Did you understand the Billing Credits policy as it applied to your Office? If not, why not?
18. Should Bonneville have requested more information from the utilities in the original solicitation, or was the staged requirement better?
19. Was there continuing dialogue with the potential bidders during the solicitation period? Should Bonneville interact with its Billing Credits bidders differently from the Competitive Acquisition bidders?
20. Do you think respondents understood the policies?
21. How has the review process worked?
22. Do any aspects of Billing Credits' implementation leave Bonneville vulnerable to charges of waste, fraud, or mismanagement of government funds?
23. Did any of the other Acquisition Approaches' processes conflict with Billing Credits such that negative consequences resulted for Bonneville or other parties?
24. Do you expect to be involved in Billing Credits in the future?
25. What suggestions do you have for improving the Acquisition process at Bonneville?

B. EXTERNAL

1. How did you hear about Billing Credits? How and why did you become involved?
2. Are the Resource Acquisition Approaches clear and distinct from each other? Is there any confusion as to what each offers and to whom? Identify such areas.
3. Do you think the Billing Credits approach is equitable?
4. Did Bonneville provide you with sufficient information to make a confident and informed decision about your participation (or lack thereof)?
5. How could consensus be reached sooner and earlier?
6. Was it clear who had authority within the Bonneville team to make decisions and take positions during the solicitation phase?
7. Do you feel all of the appropriate people were involved in the solicitation process? Were there some omissions (Bonneville or external)?
8. Was there an open, public process? Did you provide input into the process? Did you feel the process was sufficiently creative and flexible to meet your needs?
9. Did the Public Involvement Process succeed in obtaining the optimal public input? How can the public aspect of the process be improved?
10. Did the Issue Resolution Logs/Comment Summaries serve a useful purpose? If not, how could the level of communication have been improved?
11. Were there any weak areas in the Billing Credits process? What changes could be made in the future?
12. Did you respond to the Billing Credits solicitation process? If so, what was your major motivation? If not, why? If you originally submitted an NOI but did not complete an application, explain why. Could anything have been done to encourage your participation?
13. Were the Billing Credits policy and process understandable?
14. How would you describe the application/proposal process? Has Bonneville been helpful? How might the solicitation process be improved? Were there any unnecessary requirements (e.g., requiring too much information)? Were the guidelines appropriate? Were you allowed sufficient time to develop and submit a proposal?
15. Were the solicitation requirements clear? Was the follow-up helpful? Would you have preferred all information to have been provided in the original package or the staged requirements?

16. Do any aspects of the Billing Credits' implementation leave Bonneville vulnerable to charges of waste, fraud, or mismanagement of government funds?
17. Do you have any other major concerns about Bonneville or its actions/policies that have influenced your opinion about Billing Credits? Do you foresee any unanticipated consequences that could have a negative impact on Bonneville or participating utilities?
18. Overall and in summary, what is your opinion of Billing Credits? What suggestions do you have for improving the Acquisition process at Bonneville?

TARGETED ACQUISITION

A. INTERNAL

1. What are your job responsibilities for Targeted Acquisition and for Bonneville overall? How long have you had these? With whom do you interact?
2. What role did you play or are you currently playing in the Targeted Acquisition Program? How and why did you get involved?
3. How and when were you informed about the Targeted Acquisition Program? What were your specific roles and responsibilities in the Targeted Acquisition process?
4. How was the Targeted Acquisition Program developed? Did it have a formal policy document? Was the Targeted Acquisition approach clear and distinct from the other Approaches?
5. Was a team structure used to develop the Targeted Acquisition approach? If so, describe the structure. Were you a team member? Did you ever want to be a part of the team? Who were the other key players with whom you interacted most closely? Was this the most efficient way in which to plan and manage this type of acquisition?
6. Were the roles and responsibilities of each of the team members clear? Was the team leadership effective? Were any people or skills missing which could have benefitted the process? Were the team members empowered to make decisions? What decisions were they empowered to make? Describe the mechanisms used to foster coordination and communication among teams.
7. How were decisions reached in the various phases of the process? Were timelines and target dates for decisions set? Who set these timelines and dates? Were these timelines and dates met consistently?
8. Was the number of meetings held during the process development appropriate? Were the correct people at the meetings? Were meetings held for the appropriate length of time?
9. How did the process unfold?
10. Do you feel the underlying policy driving the process and the goals were understandable and realistic?
11. Did you receive feedback after you provided input into the process?
12. Were there strong or weak areas in the process that stood out? Were they recognized and addressed in the process? What changes would you suggest?

13. Was there sufficient opportunity to express ideas on issues and process development?
14. Do you think top management at Bonneville provided the appropriate support?
15. Was the process to receive public input effective and adequate?
16. What were the Targeted Acquisition objectives and have they been met?
17. Will any aspects of the Targeted Acquisition's implementation leave Bonneville vulnerable to charges of waste, fraud, or mismanagement of government funds?
18. Do you think Bonneville is going to be successful in obtaining cost-effective resources from Targeted Acquisition? If so, do you believe the present level of effort devoted to the program is adequate or should it be increased?
19. Did any of the other Acquisition Approaches' processes conflict with Targeted Acquisition such that negative consequences resulted for Bonneville or other parties?
20. Do you expect to be involved with Targeted Acquisition in the future?
21. What suggestions do you have for improving the Acquisition process at Bonneville?

B. EXTERNAL

1. How did you hear about the Targeted Acquisition Program? How and why did you become involved?
2. Was there a Public Involvement Process and did it succeed in obtaining the optimal public input? How can the public aspect of the process be improved?
3. Were the Resource Acquisition Approaches clear and distinct from each other? Was there any confusion as to what each offers and to whom? Identify such areas.
4. Are you participating in Targeted Acquisition, or do you intend to participate in Targeted Acquisition? If not, why? Did Bonneville provide you with sufficient information to make a confident and informed decision about your participation (or lack thereof)?
5. Did you feel the process was sufficiently creative and flexible to meet your needs?
6. Did you receive feedback when you provided input into the process?
7. Was it clear to you how the development process was operating and who the key contacts were?
8. Was it clear who had authority within the Bonneville team to make decisions and take positions during the solicitation phase?
9. Do you feel all of the appropriate people were involved in the solicitation process? Were there some omissions (Bonneville or external)?
10. Were there any especially strong or weak areas in the Targeted Acquisition process? What were they? What improvements could be made to the process in the future?
11. Do you foresee unanticipated (negative or positive) consequences from Targeted Acquisition that could affect Bonneville and/or participating utilities?
12. Will any aspects of Targeted Acquisition's implementation leave Bonneville vulnerable to charges of waste, fraud, or mismanagement of government funds?
13. Do you have any other major concerns about Bonneville or its actions/policies that have influenced your opinion about Targeted Acquisition?
14. What suggestions do you have for improving the Acquisition process at Bonneville?

COWLITZ FALLS HYDROELECTRIC PROJECT

A. INTERNAL

1. What are your job responsibilities for the Cowlitz Falls Project and for Bonneville overall? How long have you had these? With whom do you interact?
2. What role did you play or are you currently playing in the Cowlitz Falls Project? How and why did you get involved?
3. How was the Cowlitz Falls Project developed? Did it have a formal policy document?
4. Was a team structure used to evaluate the Cowlitz Falls proposal? If so, was it the most efficient way to evaluate and manage this type of project? Were better alternatives available? Was there more than one team involved in the project?
5. Were the roles and responsibilities of each of the team(s) and members clear? How were the responsibilities and tasks assigned? Were any parties or skills omitted that could have benefitted the process? If so, what/who was missing? Were the project manager and/or team members empowered to make necessary decisions?
6. Describe the mechanisms used to foster coordination and communication. Did the team members coordinate and cooperate effectively with each other? If not, what were the problem areas?
7. How did confidentiality affect the process? And was the degree of confidentiality necessary?
8. How were decisions reached in the various phases of the process? Were timelines and target dates for decisions set? Who set these timelines and dates? Were the timelines and dates met consistently?
9. Was the number of meetings held during the process development appropriate? Were the correct people at the meetings? Were meetings held for the appropriate length of time?
10. How did the process unfold?
11. When the process began, did you feel the underlying policy driving the process and the goals were understandable and realistic?
12. Did you receive feedback when you provided input into the process?

13. Were there particularly strong or weak areas in the process that stood out? Were they recognized and addressed in the process? What changes would you suggest?
14. Do you think top management at Bonneville provided appropriate support?
15. Was there a process to receive public input? Was it effective and adequate? Did it contribute to the process? What changes would you recommend?
16. Were the environmental aspects of the project adequately reviewed? By whom?
17. Did Bonneville have a process or model in existence that it used to structure or guide the process? How, in your opinion, did the process come together?
18. Were there any aspects of this process/project that could subject Bonneville to charges of waste, fraud, or mismanagement of government funds?
19. Do you believe that it would be an effective use of time and personnel for Bonneville to develop a fully structured process for evaluating unsolicited generation project offers?

B. EXTERNAL

1. How did you become involved in the Cowlitz Falls Project?
2. Was there a Public Involvement Process and did it succeed in obtaining the optimal public input? How can the public aspect of the process be improved?
3. What was your role in the Cowlitz Falls offer/proposal to Bonneville?
4. Did you understand the process that was to be used in evaluating your proposal? Did Bonneville officials explain to you how they would proceed and who would be assigned what responsibilities? If there was confusion, how was it addressed and resolved?
5. Was it clear who had authority within Bonneville to make decisions and take positions during the negotiations? Were the project manager/team members empowered to make decisions in a timely manner?
6. Did you believe that all the appropriate individuals (Bonneville and external) were involved in the negotiation process?
7. Was there effective communication between the utility and Bonneville? If not, what do you feel was the problem and how was it resolved?
8. How did confidentiality affect the process? And was the degree of confidentiality necessary?
9. Did you feel you were involved in a process designed to secure a win-win result?
10. Were you provided adequate time and information to negotiate effectively with Bonneville?
11. Were the negotiating process meetings appropriate in number?
12. Can you identify any outstanding strengths or weaknesses in the process? If so, what were they? How can such a process be improved?
13. Do you foresee any unanticipated consequences as a result of the Cowlitz Falls Project that could have a negative impact on Bonneville or participating utilities?

C. INTERVIEWEE LIST

<u>Internal</u>	<u>Routing</u>
1. Preston Michie	APG
2. Mike Hansen	ALP
3. Arlee Holm	DSAC
4. Len Morales	EOFA
5. Larry Marsh	LCB
6. Larry Kitchen	PMC
7. David R. Anderson	PMCE
8. James Partridge	PSCA
9. Joyce Patton	GC
10. Roxanne Freeman	RMG
11. Dennis Oster	RMG
12. Nandranie Tuck	RMGC
13. Edward Revell	RNM
14. Ken Keating	RPEB
15. Paul Norman	RPP
16. Mark Ebberts	RPPB
17. Jim Clune	RPPC
18. Lloyd Meyer	TC
19. Barbara Hickey	TBB
20. Art Harlow	UC
21. Tom Hannon	UCB
22. Jennifer Eskil	WCA
23. Deidre Erickson	PMCE
24. John Garrick	LCBA
25. Dick Jamieson	RMCB
26. Terry Oliver	RMCC

<u>Internal</u>	<u>Routing</u>
27. Sheryl Palmatier	RMCB
28. John Prych	RMC
29. Cheri Sayer	TBA
30. John Elizalde	MR
31. Bob Moulton	RMGC
32. Janet Prewitt	APR
33. Syd Berwager	PM
34. Arlena Barnes	PMCE
35. Tom Thompson	MKSJ
36. Jane Selby	RMRD
37. Bob Procter	RPPB
38. Rob Rosenberg	LCB
39. Vickie English	RMG
40. Doug Auburg	RMG
41. Susan Bailey	RPPD
42. Gene Ferguson	RMR
45. Gary Insley	RMC
46. Gerry Lenzen	YH
47. George Starr	LCB
48. Mike Radicco	ROF
49. Neil Keirulff	RNM
50. Randy Moy	UM
51. Leslie Ratchye	AC
52. Sue Hickey	R
53. Jim Dowty	RMCC
54. Terry Esvelt	PSA

External Organizations

<u>External</u>	<u>Routing</u>
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1.	Matt Northway	EWEB
2.	Al Aldrich	Snohomish PUD
3.	Ted Coates	Seattle City Light
4.	Darryll Olsen	PNUCC
5.	Dave Muller	Lewis PUD
6.	Donald Bain	ODOE
7.	Mike Burnett	PPC
8.	Ralph Cavanaugh	NRDC
9.	John Fazio	NWPPC
10.	Phil Sher	PNGC
11.	Steve Waddington	DSIs
12.	Gil McCoy	WSEO
13.	Alan Davis	MTDNR
14.	Kevin Watkins	PNUCC
15.	Bill Hannaford	NWPPC

END

**DATE
FILMED**

11/30/93