

Bonneville Power Administration Business Continuity Program

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Agenda

- Overview of BPA as an agency
- BPA's BC Program
- Questions



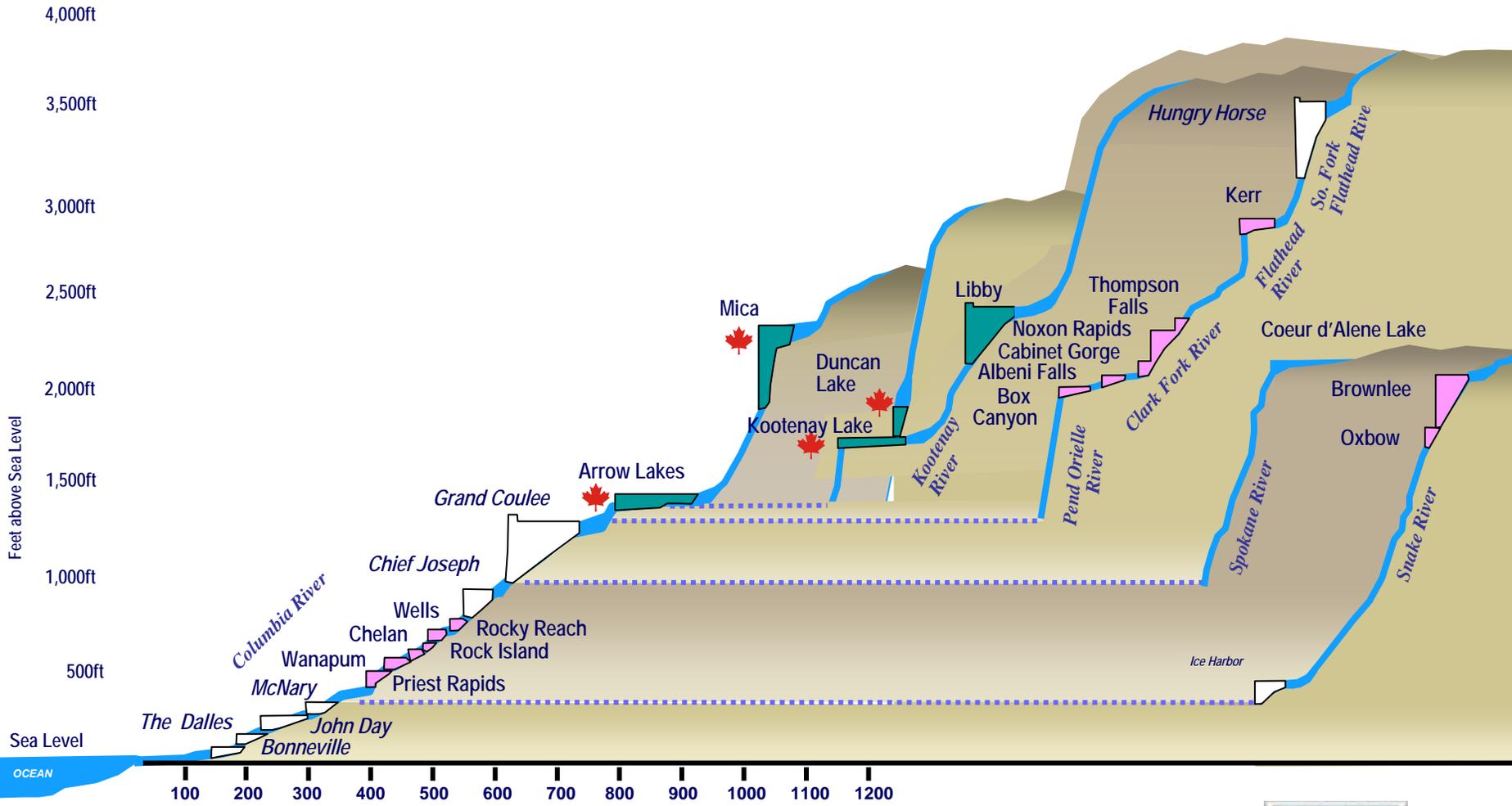
Introduction to BPA

Federal Columbia River Power System (FCRPS)

- BPA markets power from 31 Federal Hydropower Plants (21 COE/10 BOR) (6,195 avg. MW; 13,934 sustained peak), Columbia Generating Station Nuclear Plant and some non-Federal hydro and wind
- More than 80% of the power BPA sells is hydroelectric
- BPA accounts for about 33% of the electric power consumed within the region
- Canada has 15% of basin area, but provides 30% of 134 million acre feet (maf) average annual flow at The Dalles



Major FCRPS Hydro-Projects

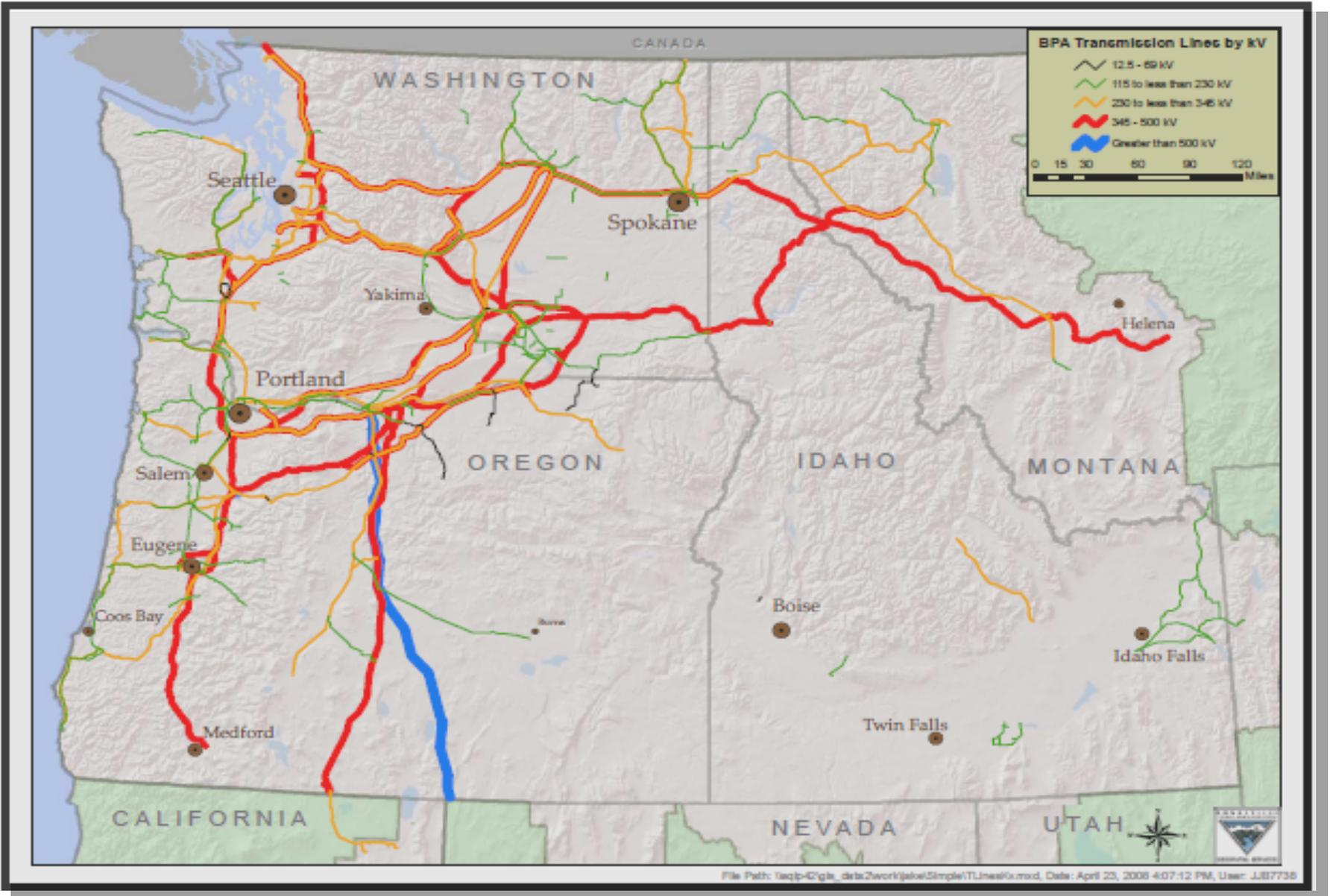


Introduction to BPA

Federal Columbia River Transmission Systems

- BPA owns and operates 75% of the Pacific Northwest's high voltage electrical transmission system.
- The system includes more than 15,000 miles of transmission line and 285 substations.
- The system networks across 300,000 square miles in Oregon, Washington, Idaho, Montana and sections of Wyoming, Nevada, Utah and California.
- The system enables a peak loading of about 30,000 megawatts and generates more than \$700 million a year in revenues from transmission services.
- BPA's Transmission Business Line operates under an Open Access Transmission Tariff based on FERC's pro forma tariff as a non-jurisdictional entity.





Introduction to BPA

Key Statutory Provisions

- **1937 Bonneville Project Act**
Created BPA to market power at cost-based rates with public preference and build transmission system to deliver power.
- **1974 Federal Columbia River Transmission System Act**
Placed BPA on self-financing basis (rates must recover costs) and provided limited borrowing authority from the U.S. Treasury.
- **1977 Department of Energy Organization Act**
Transferred BPA to the DOE as “separate and distinct” agency.
- **1980 Pacific Northwest Electric Power Planning and Conservation Act**
Assure the Pacific Northwest of adequate, efficient, economical and reliable power supply
 - BPA obligation to serve net load requirements of NW utilities
 - BPA to purchase conservation and renewables where cost effective
 - BPA to protect, mitigate and enhance fish and wildlife affected by federal hydropower construction and operation.



BPA Business Model

One Agency But Two Businesses

- BPA is one agency with respect to repaying Treasury debt.
- BPA operates separate businesses for setting rates for power and transmission services.
- Overlapping, but different customers for power and transmission services.
- Consumer-owned utilities have preference rights to Federal power.
- BPA operates as an open-access, non-discriminatory transmission carrier.
- Important to note that a substantial amount of the wind generation connecting to BPA's system for transmission service is not sold to BPA or its power services customers.



BPA Business Model

Providing Public Benefits

- Assure adequate, economical, efficient, reliable power supply.
- Ensure transmission access with a high degree of safety and reliability.
- Ensure public preference and regional preference.
- Fulfill environmental and social responsibilities:
 - Mitigate impacts, protect and enhance fish & wildlife populations affected by the federal hydropower system.
 - Provide regional leadership in conservation and renewable resource development.
- Preserve and balance economic and environmental benefits of the FCRPS.
- Recover costs through rates. BPA is a self-sustaining non-profit agency.



BPA Business Model

BPA is both a Federal Agency and a Business

As a Business:

- Revenues from the sale of power or transmission services cover all of BPA's costs.
- BPA is expected to operate as a cost-based wholesale utility.
- Rates are set to recover costs, including costs associated with public responsibilities.
- Unlike the other Federal power marketing administrations, BPA receives no annual appropriations from Congress.
- BPA has a separate, segregated Bonneville Fund at the U.S. Treasury where all revenues are deposited and all disbursements are made from.
- BPA has permanent authority to borrow up to \$7.70 billion from the U.S. Treasury for capital investments.
- All borrowing is at market interest rates and repaid in full, over the life of the asset.
- BPA's high credit rating (AA with Standard and Poor's and Fitch) is maintained through BPA's business success and assures continued access to non-Federal capital markets.
- BPA costs and business practices are structured consistent with standard utility practices, utility rate-making practices, and Generally Accepted Accounting Practices (GAAP).

As a Federal Agency:

- BPA is a separate and distinct organizational entity within the Department of Energy.
- Although BPA is not a Government Corporation, BPA is, by statute, subject to the financial requirements of the Government Corporation Control Act.
- BPA complies with all Federal reporting and management initiatives that are consistent with its statutory construct and non-annually appropriated nature.



BPA Business Model

Customers

- **Publicly Owned Utilities:**
 - Entitled to a statutory preference and priority in the purchase of available federal power
 - Northwest Regional Municipalities
 - Public Utility Districts
 - Cooperatives
- **Investor Owned Utilities:**
 - Entitled to the Residential Exchange Program that effectively provides an offset to IOU residential and small farm customers rates
 - Includes Portland General Electric, Puget Sound Energy, PacifiCorp, etc.
- **Direct Service Industries:**
 - BPA is not required to, but may sell power for direct consumption to a limited number of existing industrial companies in the Northwest
 - Aluminum Smelters (e.g. Alcoa, Columbia Falls Aluminum)
 - Chemical and paper, and other metal industries (e.g. Port Townsend Paper Corporation)
- **Sales outside the Northwest:**
 - Public and investor owned utilities in the Southwest and California
 - Sales, purchases, and exchanges of power via the Southern Intertie
- **Wheeling and other Sales:**
 - Network and point-to-point transmission services
 - Generation integration services
 - Conservation and environmental impact analysis services



BPA Business Model

BPA Stakeholders

- Customers/ratepayers, customer interest groups
- Department of Energy
- Administration
- Treasury
- Congress – particularly Northwest Delegation
- Federal Energy Regulatory Commission
- Native American Tribes
- U.S. Army Corps of Engineers/Bureau of Reclamation, Energy Northwest
- State and local governments, Northwest Power and Conservation Council
- Environmental agencies (NOAA Fisheries, Fish and Wildlife Service, states)
- Environmental and conservation interest groups
- Canada/British Columbia
- Employees



BPA Business Model

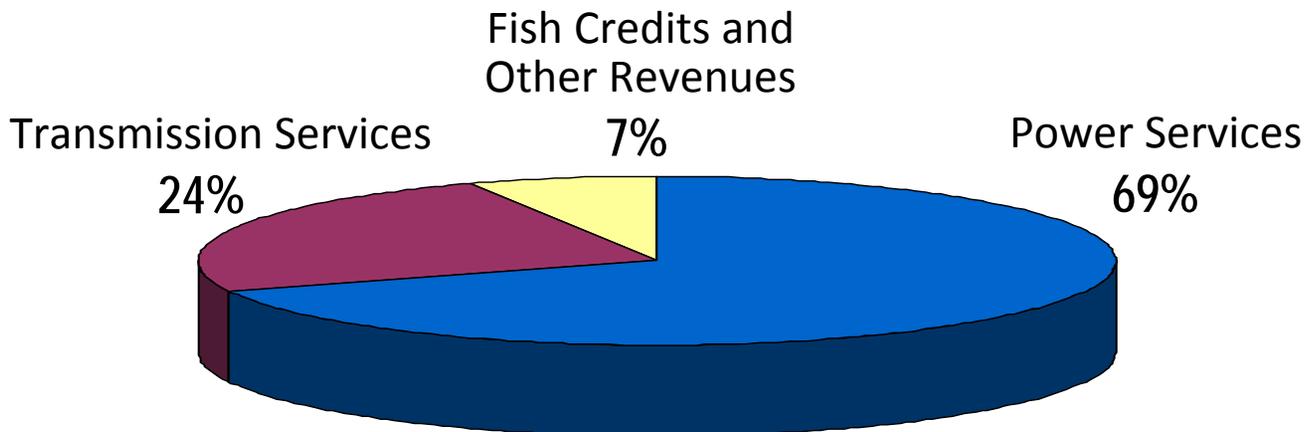
Political Environment

- Because it manages an important resource for the region, BPA has great economic and political significance.
- The agency faces many different, and often conflicting political pressures within the Pacific Northwest.
 - Customers feel an ownership-like right in the system from cost-recovery through the rates they pay.
 - Various regional interest groups have formed around the public responsibilities BPA seeks to meet.
 - An example of the conflicting political pressures is the tension between customers who seek low rates and fish advocacy groups who want more BPA spending (resulting in higher rates).
 - The Northwest Congressional delegation pays close attention to BPA generally and the specific issues that impact their constituencies
- The resulting effect on the agency can be a high degree of contention over BPA decisions and a high degree of political involvement.
- **Everyone wants BPA operations to continue reliably, but nobody wants to pay for it.**



Financial Structure

FCRPS Revenues by Service 2010



FY 2010 FCRPS Operating Revenues
(includes interbusiness service revenues)

	Revenues (millions)	
Power Marketing Services	\$2,113	69%
Transmission Services	\$738	24%
Fish Credits and Other Revenues	\$204	7%
	\$3,055*	100 %

**This information made publicly available by BPA in November 2010 and is consistent with BPA's FY 2010 Annual Report. Variation is due to rounding.*



Why does BPA have a BCP?

- BPA – critical part of the NW Power System
- Top 10 Risk: Disruption of Critical Functions
- Risk statement (revised in FY'09) :
Ineffective business continuity and emergency preparedness processes result in failure to respond adequately to, and recover from, disruptions to critical core outputs in the event of plausible worst case hazards.
- BPA's Business Continuity Program is the treatment for this enterprise risk



How was the BCP developed?

- Executive Steering Committee
- Cross agency team of coordinators who reach out to SME's with program staff assistance
- Key program documents:
 - BC Policy (BPAM Chapter 133)
 - BC Program Charter
 - BC Framework
- Compliance with federal directives and private sector standards and best practices



What are BCP Goals?

- Move the Agency Risk to Green status (ERMC criteria)
 - BPA fully complies with FCD 1 and DOE 150.1
 - BPA complies with its BC Charter, BC Framework and BC Policy
 - Key internal infrastructure components required for BC are in place and their effectiveness is tested and demonstrated to satisfy performance objectives.
- BPA's BC Program Charter identifies 15 objectives that set the operational focus for the program



BC Objectives

The Business Continuity Steering Committee established the following overarching program objective:

“All employees know what to do, where to go, what their role and decision making authority is and who they will take direction from in response to a disruptive event. This means that we will have developed integrated, comprehensive and fully tested response plans and made the proper investments in systems and infrastructure so the agency can respond to an event and recover critical capabilities.”
(BPA BC Program Charter)



BC Objectives

- Develop a program structure designed to manage the key planning activities necessary to maintain a BC Program in a cost-effective, efficient manner.
- Have and maintain a long-term BC Program governance structure (documented in a policy statement and associated BC framework) that enables effective process execution during crisis situations.
- Develop business continuity planning processes to enable requirements definition, response and recovery strategy development, capability implementation and plan documentation.
- Establish, maintain and communicate agency-wide continuity requirements for business process and information technology availability and recoverability.
- Evaluate and communicate gaps between current capabilities or strategies and newly-identified business requirements.
- Focus on single points of failure that could lead to an agency-wide disruption.
- Develop and coordinate risk mitigation, response and recovery strategies and recommendations to meet newly-identified business requirements, presenting potential costs and benefits for management consideration.
- Develop implementation plans for selected risk mitigation, response and recovery strategies.
- Develop and maintain COOP, infrastructure restoration and IT contingency response and recovery plans that integrate with the leadership and strategic decision making provided by the agency's incident management processes.
- Develop and maintain an incident management capability and plan designed to coordinate and enable emergency response, COOP, infrastructure restoration and IT contingency response and recovery efforts.
- Create response and recovery process awareness that is universal, consistent and specific to each stakeholder group in order to improve BC Program effectiveness.
- Exercise incident management, emergency response, COOP, infrastructure restoration and IT contingency plans in order to:
 - Validate and demonstrate the viability of BC strategies
 - Provide personnel training opportunities
 - Identify improvement opportunities
- On an on-going basis, evaluate BC Program compliance with Federal Continuity Directives and other government and regulatory requirements, as they are published or revised.
- Develop a process to enable ongoing maintenance of BC Program analyses and capabilities, as well as regular management reporting of key performance indicators for all major BC Program components.
- Ensure accuracy, currency and relevancy of BC process elements.



What's BPA's BC structure?

Business Continuity Capability Model

Crisis Management
(Activated During Extreme Disruptive Events)



Incident Management

<p>LEADERSHIP & DIRECTION</p> <ul style="list-style-type: none"> • Output Prioritization • Resource Allocation • Policy Decisions • Response Effort Coordination • Event Response Start/End 	<p>COMMUNICATIONS</p> <ul style="list-style-type: none"> • Media Contact & Messages • External Stakeholders • Employees & Contractors
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Emergency Response

- Safeguards life and property
- Facility Based
- Occupant Emergency Plans (OEP)

Continuity of Operations

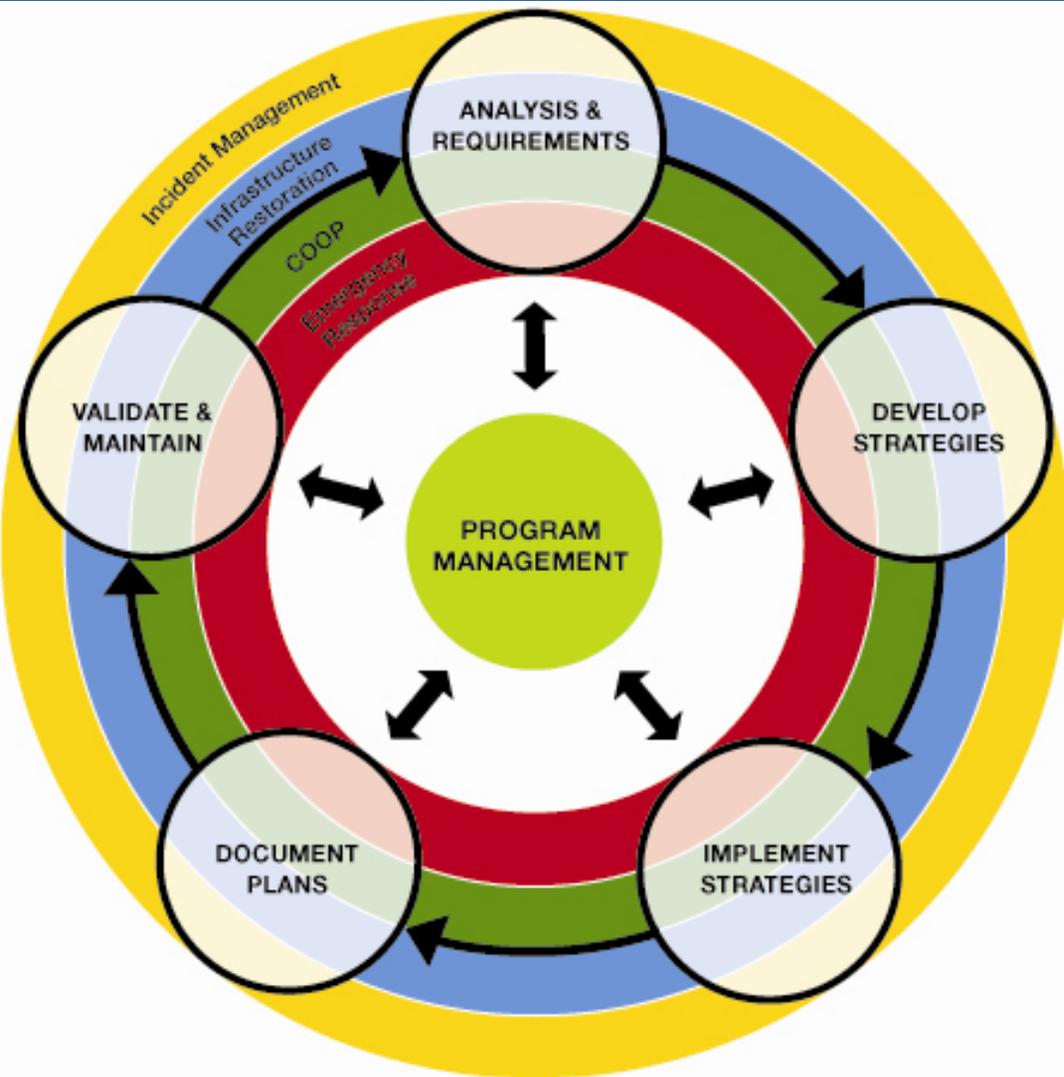
- Recovers operational processes
- Strategies and plans that address impacts to:
 - Human Capital
 - Facilities & Infrastructure
 - Equipment
 - Information
 - Supplies & Materials

Infrastructure Restoration

- Restore critical infrastructure
- Support other processes to recover or restore infrastructure

IT Contingency

What is BPA's approach to BC?



BC is an ongoing effort

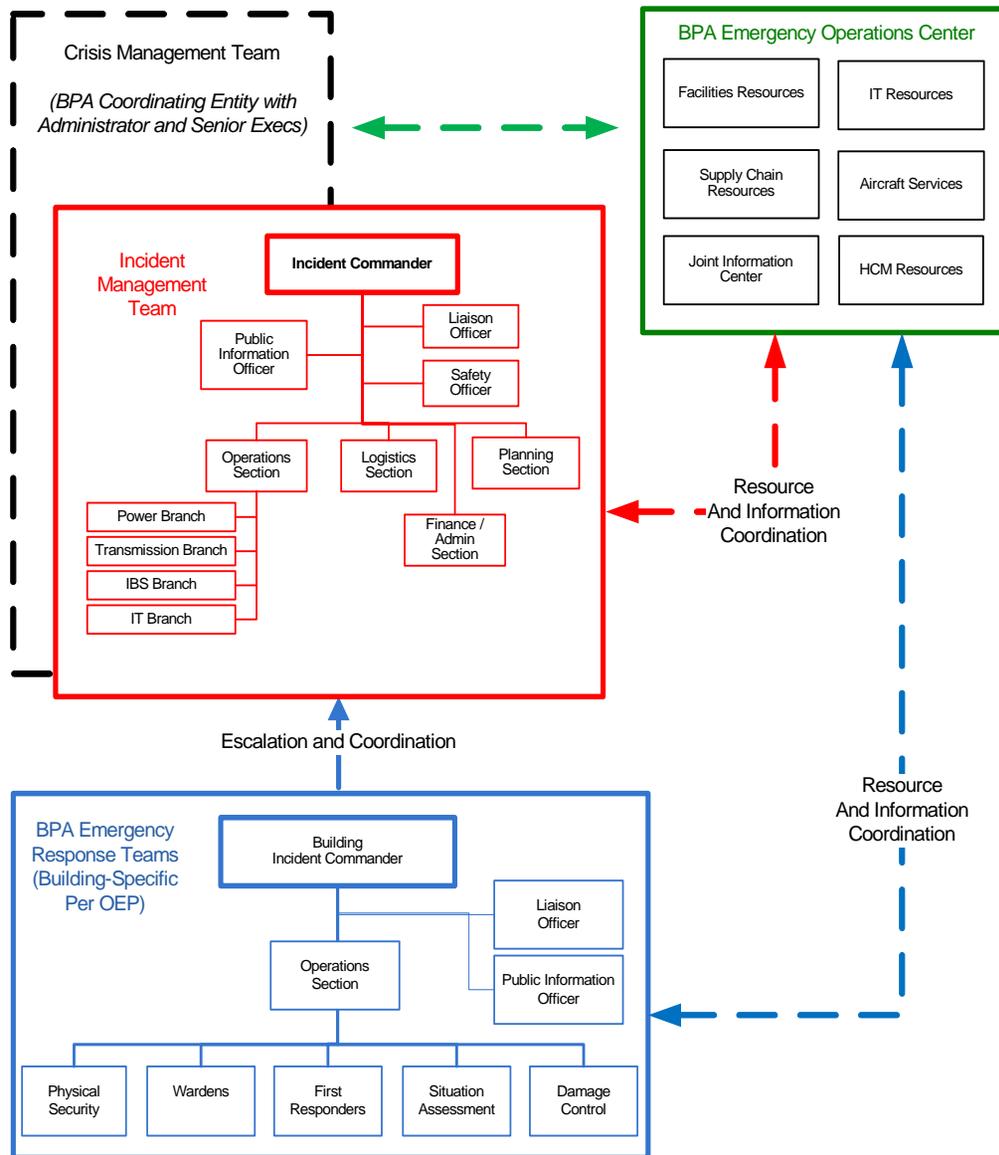
Lifecycle emphasizes continuous improvement and increasing maturity

Reflects Federal Continuity Directives (FCD) and leading business continuity standards

Basis for BC related Agency Targets



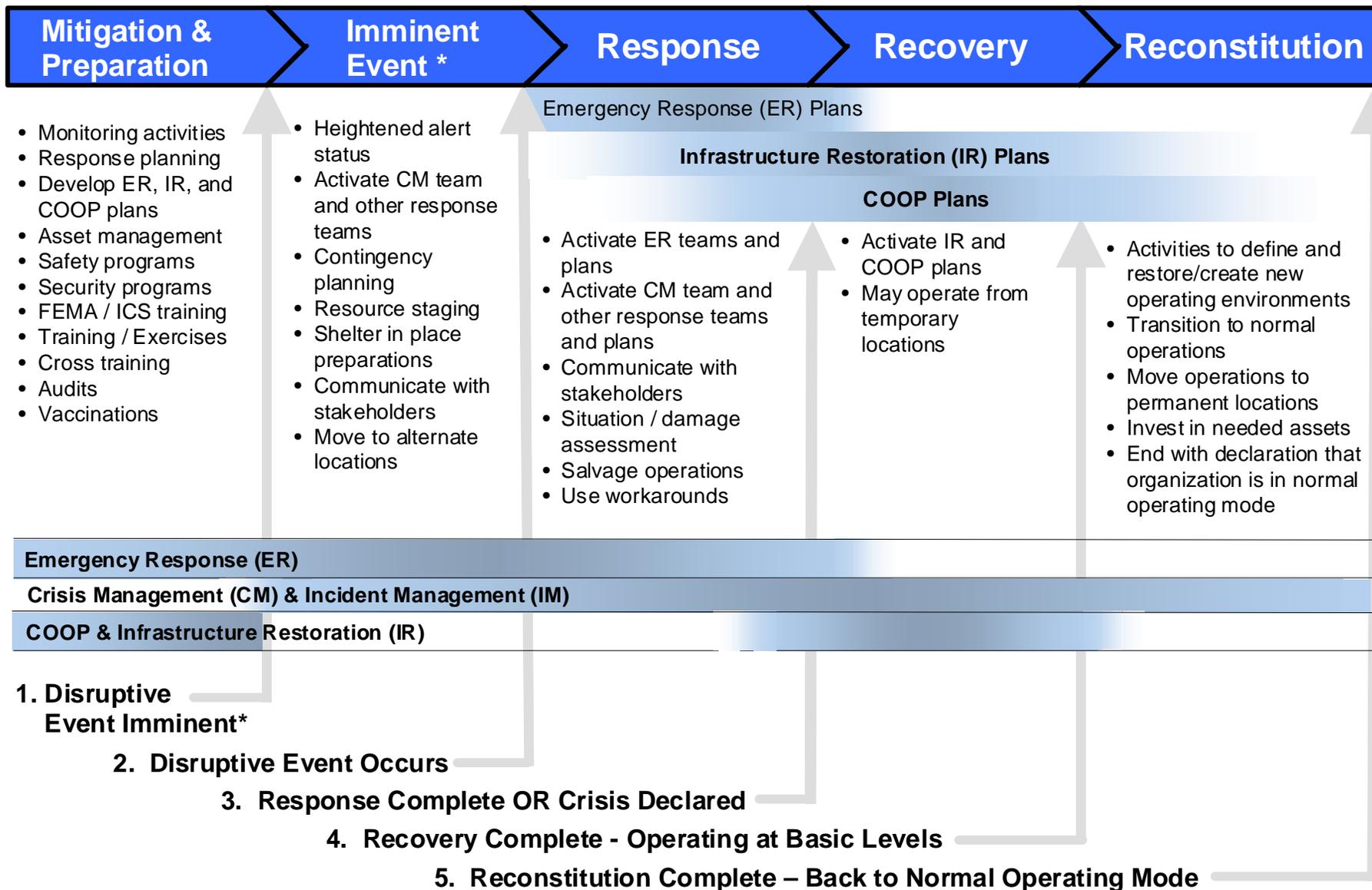
How does BPA manage Incidents?



- HSPD 5 requires NIMS compliance – ICS is part of NIMS
- Based on Incident Command System (ICS)
- Flexible, adaptive way of managing incidents
- Allows for seamless escalation / de-escalation
- Provides a common command structure and clear tactical roles and responsibilities

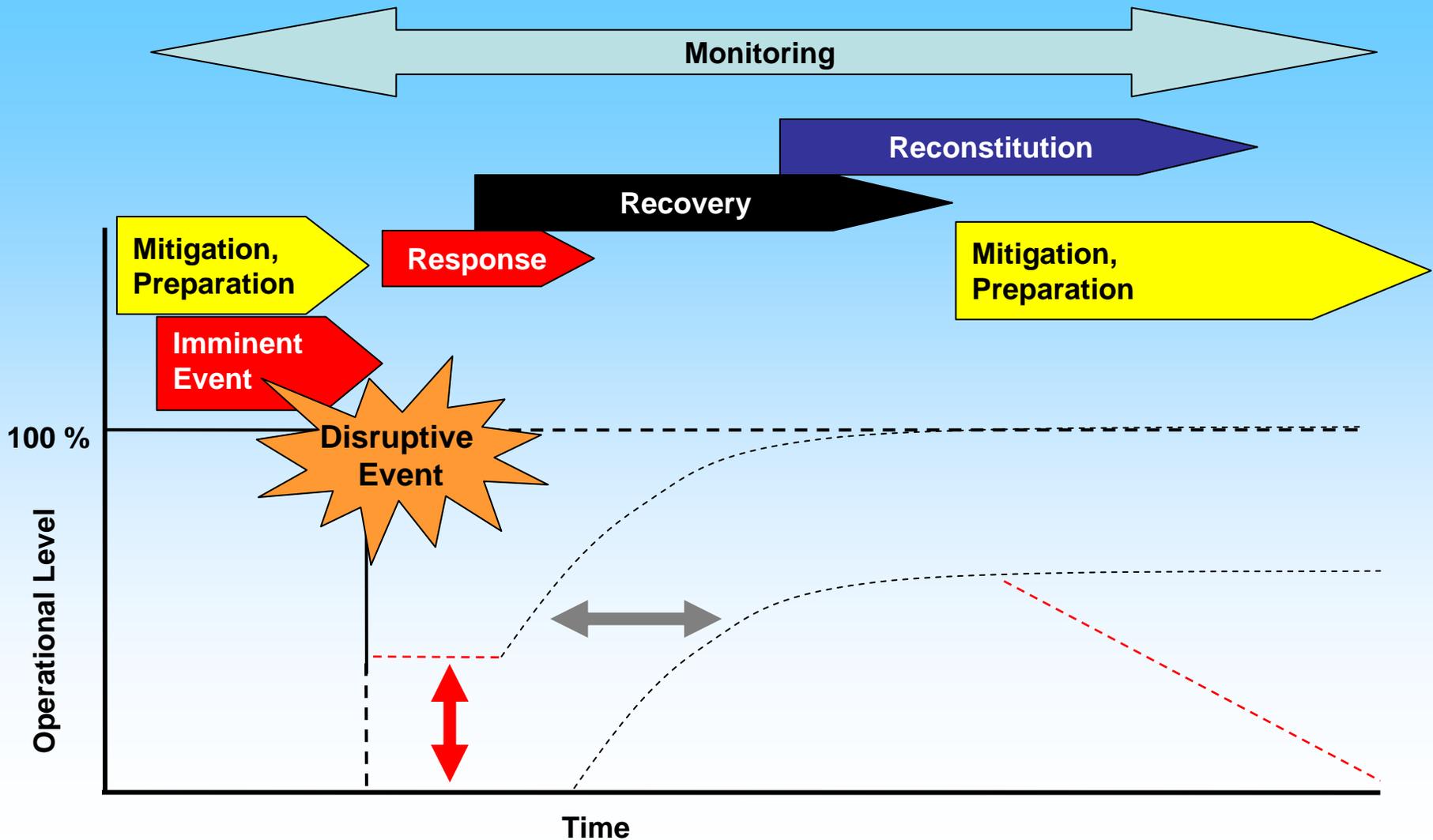


Business Continuity Timeline



* Indications of a high probability that an imminent disruptive event will happen. This stage may not occur if the event is unpredictable (e.g. earthquake) or the agency fails to detect indications of an imminent disruptive event.

How does this play out?



What BC efforts are in progress?

- Incident Management support capabilities
- IT Disaster Recovery
- COOP plans
- Emergency Transportation Capabilities
- Emergency Communications Capabilities
 - useful and available personal contact information
- Emergency Food and Lodging
- Alternate operating capabilities and devolution
 - Alternate Power Scheduling Capabilities
 - Alternate Workspace
 - Alternate Data Center



