

BONNEVILLE POWER ADMINISTRATION NATIONAL ENVIRONMENTAL POLICY ACT RECORD OF DECISION

Long -Term Regional Dialogue Policy

SUMMARY

The Bonneville Power Administration (BPA) has decided to adopt a policy on the agency's long-term power supply role after fiscal year (FY) 2011. This policy is intended to provide BPA's customers with greater clarity about their Federal power supply so they can effectively plan for the future and, if they choose, make capital investments in long-term electricity infrastructure. This Long-Term Regional Dialogue Policy (Policy), which is the result of a Regional Dialogue process that began in 2002, is described more fully in a separately issued Administrator's Record of Decision (ROD) that addresses the legal and policy rationale supporting the administrative decisions in the Regional Dialogue.

In accordance with the National Environmental Policy Act (NEPA), the Administrator has considered the potential environmental consequences for each of the policy issues that comprise the Long-Term Regional Dialogue Policy. Some policy issues do not have the potential to result in environmental effects, thus NEPA is not implicated for these issues. Other policy issues represent a continuation of the status quo, therefore additional NEPA analysis of these issues is not necessary. For the remaining policy issues, any potential environmental effects have already been analyzed in BPA's Business Plan Environmental Impact Statement (DOE/EIS-0183, June 1995). This EIS was prepared to support a number of BPA decisions, some of which are relevant here.

All together, the policy issues addressed in the Long-Term Regional Dialogue result in a final Policy that is consistent with the Market-Driven alternative analyzed in the Business Plan EIS and adopted in the Business Plan ROD (August 15, 1995). The Administrator has therefore determined that it is appropriate to tier this Long-Term Regional Dialogue Policy NEPA ROD to the Business Plan EIS and ROD.

BPA'S BUSINESS PLAN EIS and ROD

In order to participate successfully in the increasingly competitive wholesale electricity market, BPA recognized in the 1990s that it needed an adaptive policy to guide the agency in meeting both its business and public service missions. BPA therefore prepared the Business Plan EIS to support a number of decisions, including the products and services BPA will market, rates for BPA's products and services, policy direction for BPA's sale of power products to customers, contract terms BPA will offer for power sales, and plans for BPA resource acquisitions and power purchase contracts. (Business Plan EIS, section 1.4). BPA identified several purposes for consideration, including: achieving strategic business objectives; competitively marketing BPA's products and services; providing for equitable treatment of Columbia River fish and

wildlife; achieving BPA's share of the Northwest Power and Conservation Council's (Council) conservation goal; establishing rates that are easy to understand and administer, stable and fair; recovering costs through rates; meeting legal mandates and contractual obligations; avoiding adverse environmental impacts; and establishing productive government-to-government relationships with Indian Tribes (Business Plan EIS, section 1.2; Business Plan ROD, sections 5 and 6).

BPA's Business Plan EIS evaluates six alternative business directions: Status Quo (No Action); BPA Influence; Market-Driven; Maximize Financial Returns; Minimal BPA; and Short-Term Marketing. Each of the six alternatives provides policy direction for deciding 19 major policy issues that fall into five broad categories: Products and Services, Rates, Energy Resources, Transmission, and Fish and Wildlife Administration (Business Plan EIS, section 2.4). Four policy options, or modules, were also developed for key issues, including Fish and Wildlife Administration, Rate Designs, Service to Direct Service Industries (DSIs), and Acquisition of Conservation and Renewable Resources. The alternatives and modules are designed to cover the range of options for the important issues affecting BPA's business activities, as well as the impacts of those options, and variations can be assembled by matching issues and substituting modules among the six alternatives (Business Plan EIS, section 2.1.2). All of the alternatives and modules are examined under two widely different hydro operations strategies that serve as bookends for reasonably possible hydro operations (Business Plan EIS, sections 2.1.6, 4.4.4, and 4.4.4). These alternatives thus represent a range of reasonable alternatives for BPA's business activities and BPA's ability to balance costs and revenues.

The Business Plan EIS focuses on BPA relationships to the market (Business Plan EIS, section 2.1). Previous environmental studies for key BPA actions had shown that actual environmental impacts are determined by the responses to BPA's marketing actions, rather than by the actions themselves (Business Plan EIS, sections 2.1.5 and 4.1.2). These market responses, discussed in detail in section 4.2 of the Business Plan EIS, are: resource (including conservation) development; resource operation; transmission development and operation; and consumer behavior. These market responses determine the environmental impacts, which include air, land, and water impacts, as well as socioeconomic impacts (Business Plan EIS, Figure 2.1-1 and Figure S-2).

With this knowledge, BPA used market responses as the foundation for the environmental analyses of alternatives and modules in sections 4.4 and 4.5 of the Business Plan EIS. Section 4.4.3 also included an illustrative numerical example. As can be seen from the environmental analyses summarized in Tables 4.4-19 and 4.4-20, differences in total environmental impacts among the alternatives are relatively small.

Each of the alternative business directions examined in the Business Plan EIS is also evaluated against the purposes to determine how well each of the alternatives meets the need (Business Plan EIS, section 2.6.5). Based on the evaluation of potential environmental impacts and the comparison of each alternative to the identified purposes, the Administrator chose the Market-Driven alternative. As documented in the August 1995 Business Plan ROD, the Market-Driven alternative strikes a balance between marketing and environmental concerns. It also assists BPA

in maintaining the financial strength necessary to continue a relatively high level of support for public service benefits, such as energy conservation and fish and wildlife mitigation activities.

BPA included many mitigation response strategies in the Business Plan EIS to address changed conditions and allow the agency to balance costs and revenues. These response strategies include measures that BPA could implement to increase revenues, decrease spending, and/or transfer costs if the agency's costs and revenues do not balance (Business Plan EIS, section 2.5). The Administrator committed to apply as many mitigation response strategies as necessary to enhance BPA's ability to balance costs and revenues and to its public service and environmental obligations while remaining competitive in the marketplace (Business Plan ROD, section 7). These mitigation response strategies also increase BPA's ability to adapt to changing conditions under the Market-Driven alternative.

The Business Plan EIS and ROD documented a decision strategy for tiering subsequent business decisions (Business Plan EIS, section 1.4; Business Plan ROD, section 8). For each such decision, as appropriate, the Administrator reviews the Business Plan EIS and ROD to determine if the proposed subsequent action falls within the scope of the Market-Driven alternative evaluated in the EIS and adopted in the ROD. If the action is found to be within the scope of this alternative, the Administrator may tier his decision for the proposed action to the Business Plan ROD and thus issue a tiered ROD. Tiering a ROD to the Business Plan ROD helps BPA delineate decisions clearly, and provides a logical framework for connecting broad programmatic decisions to more specific actions (Business Plan EIS, section 1.4).

BPA recently completed a review of the Business Plan EIS and ROD through a Supplement Analysis. The Supplement Analysis was prepared to assess whether the Business Plan EIS still provides an adequate evaluation, at a policy level, of environmental impacts that may result from BPA's current business practices, and whether these practices are still consistent with the Market-Driven alternative adopted in the Business Plan ROD. As part of the preparation of the Supplement Analysis, changes that have occurred in the electric utility market and the existing environment were evaluated, and developments that have occurred in BPA's business practices and policies were considered. The Supplement Analysis found that the Business Plan EIS's relationship-based and policy-level analysis of potential environmental impacts from BPA's business practices remains valid, and that BPA's current business practices are still consistent with BPA's Market-Driven approach. The Business Plan EIS and ROD thus continue to provide a sound basis for making determinations under NEPA concerning BPA's policy-level decisions.

RELEVANT SUBSEQUENT TIERED RODS

Since 1995, over 40 strategic business decisions have been implemented through the Business Plan EIS and ROD. Several of these decisions and their RODs are directly applicable to this Long-Term Regional Dialogue Policy.

POWER SUBSCRIPTION STRATEGY

In December 1998, BPA issued an Administrator's ROD for its Power Subscription Strategy for entering into new power sales contracts with Pacific Northwest customers. The strategy attempted to equitably distribute the electric power generated by the Federal Columbia River

Power System (FCRPS), within the framework of existing law. The Power Subscription Strategy addresses the availability of power; describes power products and contracts; and provides strategies for pricing, including risk management. The Power Subscription Strategy also further refines rate design approaches to be used to establish rates during subsequent rate cases.

As part of its consideration of a Power Subscription Strategy, BPA conducted a NEPA evaluation. This NEPA evaluation is described in the December 21, 1998 NEPA ROD that was prepared and issued separately from the Administrator's Power Subscription Strategy ROD. Consistent with the approach laid out in the Business Plan EIS and ROD for tiering subsequent business decisions, the Administrator reviewed the Business Plan EIS and ROD to determine whether the Power Subscription Strategy was within the scope of the Market-Driven alternative evaluated in the EIS and adopted in the ROD. In the NEPA ROD, the Administrator determined that the Power Subscription Strategy was a direct application of BPA's Market-Driven approach adopted in the Business Plan ROD, and that the potential environmental impacts of the Power Subscription Strategy were adequately covered in the Business Plan EIS. The Administrator also noted that risk management strategies, such as a cost recovery adjustment clause (CRAC), in the Power Subscription Strategy are consistent with the mitigation response strategies in the Business Plan EIS and ROD.

2002 POWER RATES

BPA also conducted a NEPA analysis for the 2002 Wholesale Power Rate Adjustment Proceeding for the FY 2002-2006 rates (WP-02 Rate Case) and included it in the Administrator's ROD for the 2002 Final Power Rate Proposal prepared in May 2000. This analysis addressed the various elements of the WP-02 proposal, including the possible use of a CRAC to allow BPA to address potential revenue shortfalls. The Administrator noted that the WP-02 proposal includes many features that would help BPA achieve the goals of BPA's Power Subscription Strategy and found the WP-02 proposal to be consistent with the Power Subscription Strategy and its associated ROD. In addition, the Administrator determined that the WP-02 proposal fell within the scope of the Business Plan EIS, based on a review of the Business Plan EIS and its evaluation of environmental impacts related to various rate design issues for BPA power products and services. The Administrator therefore found that the WP-02 proposal was consistent with the Business Plan as well as the Business Plan EIS and ROD. Therefore, the NEPA analysis included in the Administrator's ROD was properly tiered to the Business Plan ROD.

In December 2000, BPA announced proposed amendments to the WP-02 proposal. After BPA released these proposed amendments, changes in reserve forecasts and market prices led to settlement discussions between BPA and rate case parties. After a Partial Settlement Agreement was reached with many of these parties, BPA prepared a June 2001 Administrator's ROD for the 2002 Supplemental Power Rate Proposal. This Supplemental Proposal reflected the three separate CRACs that were negotiated with the parties as part of the terms of the Partial Settlement Agreement. The Administrator's ROD for the Supplemental Proposal included a NEPA analysis that supplemented the analysis prepared for the 2002 Final Power Rate Proposal. In this analysis, the Administrator noted that the Supplemental Proposal was a continuation of the WP-02 rate proposal and determined, after a review of the Business Plan EIS, that the

Supplemental Proposal was within the scope of the Business Plan EIS and the Market-Driven alternative adopted in the Business Plan ROD.

SAFETY NET CRAC

In June 2003, the Administrator issued an Administrator's ROD on BPA's decision to implement the Safety Net Cost Recovery Adjustment Clause (SN CRAC) Adjustment to 2002 Wholesale Power Rates. This rate adjustment allows BPA to address potential revenue shortfalls and recover its costs through rates. SN CRAC represents implementation of one of BPA's risk management tools that were conceptually identified and evaluated in the Business Plan EIS and ROD, and more specifically identified and evaluated under NEPA as part of BPA's Power Subscription Strategy and WP-02 rates. The Administrator reviewed the previous NEPA documentation and found that the SN CRAC was adequately covered within its scope and that the rate adjustment would not result in significantly different environmental effects. Therefore, the Administrator determined that it was appropriate to tier the SN CRAC NEPA ROD to the Business Plan ROD.

2007 POWER RATES

BPA conducted a NEPA analysis for the 2007 Wholesale Power Rate Adjustment Proceeding (WP-07 Rate Case) for rates from October 2006 through September 2009 and included it in the Administrator's ROD issued in July 2006. The WP-07 Rate Case ROD balanced BPA's interdependent, and often competing objectives, while factoring in financial risks BPA faces and mitigation strategies. The Administrator determined that the WP-07 proposal fell within the scope of the Business Plan EIS, based on a review of the Business Plan EIS and its evaluation of environmental impacts related to various rate design issues for BPA power products and services. The Administrator therefore found that the WP-07 proposal was consistent with the Business Plan as well as the Business Plan EIS and ROD. Thus, the NEPA analysis included in the Administrator's ROD was tiered to the Business Plan ROD.

POWER SUPPLY ROLE POLICY FOR FY 2007-2011

The culmination of the first phase of the Regional Dialogue process was BPA's finalization of its Policy for Power Supply Role for Fiscal Years 2007-2011, which also is known as the Short-Term Regional Dialogue Policy. This Policy and its associated Administrator's ROD were released in February 2005. The Short-Term Regional Dialogue Policy addressed and decided issues that needed to be resolved in order to replace power rates that expired in September 2006. The decisions made in this Policy reflected extensive input from customers, constituents, tribes, and stakeholders throughout the region, as well as the lessons learned from the West Coast energy crisis and the impact it had on BPA's power supply, load obligations, and rates.

The Short-Term Regional Dialogue Policy and Administrator's ROD provided BPA's customers with greater clarity about their Federal power supply during the FY 2007-2011 period so they could effectively plan for this period. The Policy and ROD also provided guidance on certain rate matters for the upcoming rate period, while assisting the agency in aligning its long-term strategic goals and its long-term responsibilities to the region. Many of the policy issues addressed in the Short-Term Regional Dialogue Policy – such as access to low-cost power, service to public utilities, product availability, service to new large single loads, conservation,

renewable resources, and cost controls – are also addressed in the Long-Term Regional Dialogue Policy.

The Short-Term Regional Dialogue Policy and ROD document BPA's decision, consistent with the agency's Strategic Direction, to limit to approximately the firm capability of the existing Federal system its sales of firm power to its Pacific Northwest preference customers' firm requirements loads at its lowest-cost rates. While focused on policy decisions for the short term, the Short-Term Regional Dialogue Policy and ROD helped set the stage for addressing a number of key long-term issues during the second phase of Regional Dialogue. The Policy and ROD acknowledged that to become effective, decisions on these issues would need to be captured in new long-term contracts and rates. The ROD also noted that in the second, or long-term, phase of Regional Dialogue, BPA was strongly inclined toward 20-year contracts, intended to explore a tiered-rate methodology, and planned to consider regional resource adequacy standards.

As part of its consideration of the Short-Term Regional Dialogue Policy, BPA conducted a NEPA evaluation of the Policy in a NEPA ROD prepared separately from the Administrator's ROD. In the NEPA ROD, which was released along with the Policy and Administrator's ROD in February 2005, the Administrator reviewed each of the individual issues in BPA's Policy for Power Supply Role for FY 2007-2011, as well as the potential implications of those issues taken together. Many of the policy decisions outlined for power supply in the interim years, between the Subscription contracts that expired in October 2006 and the anticipated implementation of the new Regional Dialogue Long-Term contracts in FY 2012, were an extension of the status quo and thus did not trigger additional NEPA analysis. The Administrator determined that other issues and decisions in the Short-Term Regional Dialogue Policy and ROD posed no potential environmental impacts. For the remaining issues, a review of the Business Plan EIS showed that the potential environmental impacts had already been addressed in the Business Plan EIS. Furthermore, the Administrator determined that the policy decisions and associated actions outlined in the Short-Term Regional Dialogue Policy, taken collectively, resulted in a final policy that is consistent with the Market-Driven alternative adopted in the Business Plan ROD. Therefore, the Administrator determined that it was appropriate to tier the Short-Term Regional Dialogue Policy NEPA ROD to the Business Plan ROD.

SERVICE TO DSI CUSTOMERS FOR FY 2007-2011

In the Administrator's ROD for the Short-Term Regional Dialogue Policy, BPA committed to provide eligible DSI customers some level of Federal power service benefits, at a known quantity and capped cost, for the FY 2007-2011 period. This limited financial incentive was provided in recognition of the importance of the DSIs to the Pacific Northwest economy. However, in the Short-Term Regional Dialogue Policy, BPA deferred determination of specific details regarding service to DSI customers in order to allow the opportunity for additional discussions in a supplemental regional public process. Once those additional discussions had taken place, the Administrator released BPA's Service to DSI Customers for FY 2007-2011 ROD (DSI ROD) in June 2005. This ROD established, for FY 2007-2011, the specific details surrounding: (1) the actual level of service benefits BPA would provide, (2) the eligibility criteria the agency would apply in determining which DSIs would qualify for such service benefits, and (3) the mechanism or mechanisms BPA would use to deliver those service benefits.

The NEPA ROD for the Short-Term Regional Dialogue Policy noted that, whatever level of DSI service was decided, the analysis of the environmental impacts would likely fall within the scope of the Business Plan EIS since the EIS included modules that considered service to the DSIs ranging from “no new firm power sales contracts” to “100-percent firm service” (Business Plan EIS, section 2.31.3 and 2.6.3.3). Based on the Administrator’s review of the Business Plan EIS and ROD, it was determined that BPA’s Service to DSI Customers for FY 2007-2011 fell within the scope of the Market-Driven alternative evaluated in the Business Plan EIS and adopted in the Business Plan ROD. Therefore, the Administrator tiered BPA’s decision concerning Service to DSI Customers to the Business Plan ROD.

The June 2005 DSI ROD stated that decisions regarding whether benefits would be provided through financial payments or through physically delivered power, along with other implementation details, would be left to the contract negotiations. The DSI ROD also made clear that the decision to offer contracts to the aluminum companies was expressly contingent on a further review of the cost impacts to BPA associated with an injunction, issued on June 10, 2005, by the United States District Court for the District of Oregon, relating to certain anadromous fish protection measures, and directly impacting the amount of water available to BPA for hydroelectricity production (the “BiOp Litigation”). In May 2006, BPA issued a Supplement to the DSI ROD that provided clarification of the terms of service to DSIs that were decided in the June 2005 DSI ROD.

REGIONAL DIALOGUE BACKGROUND

Since the mid-1990s, BPA and its customers and stakeholders have been discussing BPA’s future power supply role in the Pacific Northwest. These discussions reach back to the 1996 Comprehensive Review of the Northwest Energy System and the 1997 Cost Review. The Pacific Northwest utility industry also has experienced major events during this period, including deregulation of wholesale transmission service, development of a competitive wholesale power market, and the 2000-2001 West Coast energy crisis. Throughout these events, BPA and regional interests have struggled to define the optimal future role for BPA in terms of its power supply obligations, resources, and rates in a way that provides the greatest value to BPA’s firm power customers and non-power stakeholders.

The Regional Dialogue is the most recent phase of this long consideration of BPA’s future role. In April 2002, a group of BPA’s Pacific Northwest electric utility customers submitted a “joint customer proposal” to BPA that addressed both near- and long-term contract and rate issues. The proposal focused on how the customers believed BPA should market Federal power and distribute the costs and benefits of the FCRPS under 20-year power sales contracts, including contracts that would provide for long term financial benefits for residential and small farm customers served by IOU’s. The joint customer proposal led BPA to initiate the Regional Dialogue process in June 2002. As part of this process, BPA and the Northwest Power and Conservation Council held a series of public meetings in the summer and fall of 2002 to further discuss BPA’s marketing of Federal power after 2006. In December 2002, the Council submitted its final recommendations to BPA on BPA’s future power supply role.

At around the same time, BPA began a process to assess and understand the impacts of the 2000-2001 West Coast electricity crisis on BPA and its customers. The financial impacts of the crisis led many utilities to examine their policies and approaches to their power supply. In early 2003, BPA initiated a detailed examination of the events, beginning in 2000, which led to the significant rate increase and deterioration of BPA's financial condition. On April 18, 2003, BPA released a Report to the Region that included lessons the agency learned, with the intention of translating those lessons into future actions. Among a number of other lessons, the report noted that the level of BPA's costs and risks is driven heavily by the load obligations BPA assumes under contracts with customers. Meeting those load obligations was a large driver of BPA's cost and rate levels. The report pointed out that the amount of risk (market volatility and uncertainty) to be managed in the whole region's power system has grown substantially, and the fraction of that risk that BPA can absorb has gotten smaller. The report noted that BPA must avoid the need to acquire large amounts of power on short notice to meet customer load demand. The report also highlighted the need for BPA to have a clear and consistent strategy and to manage to well-defined objectives.

In response to the findings of the Report to the Region, BPA devoted a significant amount of time and effort re-examining its mission and core values, and clarifying its strategic direction. BPA's strategic direction establishes the agency's most important objectives and the actions that will help it manage to these objectives. The strategic direction that was adopted calls on BPA to advance four core values: high reliability, low rates consistent with sound business principles, responsible environmental stewardship, and clear accountability to the region.

The Council's final recommendations on BPA's future power supply role, the Report to the Region, and the clarification of BPA's strategic direction have all informed the development of the Regional Dialogue Policy, as have the numerous comments and advice from customers, constituents, tribes, and other regional stakeholders. After considering the depth and complexity of the policy issues facing the agency, BPA concluded in February 2004 that it was not practical to resolve all of the issues before the start of the next rate period in October 2006. BPA therefore decided to address these issues in two phases.

The first phase, "Policy for Power Supply Role for FY 2007-2011," would focus on issues that needed to be resolved in order to replace the power rates that were expiring in October 2006. The decisions made in the first phase were intended to not only create certainty for the FY 2007-2011 period, but also to set the stage for certain issues to be addressed during the second phase of the Regional Dialogue. The first phase thus included both "An Integrated Strategy for FY 2007-2011" that addressed 12 policy issues and "A Long-Term Policy: Limiting BPA's Long-Term Load Service Obligation at Lowest Cost Rates for Pacific Northwest Firm Requirements Loads." In February 2005, BPA issued its "Policy for Power Supply Role for FY 2007-2011" and ROD. The second phase, "Long-Term Regional Dialogue," would address issues critical to determining how BPA will market Federal power and distribute the costs and benefits of the FCRPS after FY 2011, with the objective of implementing new 20-year contracts well before current power contracts expire in FY 2011.

Upon completion of the first phase of Regional Dialogue, BPA began work on the second, or long-term, phase of Regional Dialogue for the post-FY 2011 period. In May 2005, BPA issued a

letter to the region announcing the start of the second phase, outlining issues, and inviting input for a long-term policy proposal. In June 2005, BPA held a workshop for interested parties to share their points of view on what should be included in BPA's policy proposal. In September 2005, BPA released its Regional Dialogue Concept Paper, which served as a springboard for collaborative discussions among BPA and its customers and other regional interests on the policy issues that needed to be resolved before new contracts and rates could be put in place.

After a series of public workshops and meetings in late 2005 and early 2006, BPA released the Long-Term Regional Dialogue Policy Proposal on July 13, 2006. The release formally initiated a public comment period during which BPA continued to work with regional parties to reach consensus on the major policy issues addressed in the policy proposal. The comment period was originally scheduled to close on September 29, 2006, but was later extended to October 31, 2006. During the comment period, BPA held five public meetings on the policy proposal throughout the region. In December 2006, BPA held an additional public meeting for Regional Dialogue that was attended by senior officials from the U.S. Department of Energy. Implementation workshops also have been held with interested parties through April of 2007. For more specific background information concerning the Long-Term Regional Dialogue Policy, please see the Administrator's ROD.

Following adoption of a Long-Term Regional Dialogue Policy, BPA must still facilitate implementation of this Policy. New contracts must be developed, negotiated and drafted, released for public comment, and finalized. Separate Section 7(i) rate processes must be conducted to establish the long-term tiered rate methodology and to set rates for the new contracts.

SUMMARY OF THE LONG-TERM REGIONAL DIALOGUE POLICY

BPA's Long-Term Regional Dialogue Policy reflects the agency's strategic direction described above. The Policy is intended to provide BPA's customers with greater clarity about their Federal power supply so they can plan effectively for the future and, if they choose, make capital investments in long-term electricity infrastructure. The Long-Term Regional Dialogue Policy, which provides a comprehensive description of BPA's decision, is available as a separate document, as is the separately issued Administrator's ROD that addresses the legal and policy rationale supporting the administrative decisions in the Regional Dialogue. The Policy is summarized below.

SERVICE TO PUBLIC UTILITIES

Policy issues related to service to public utilities include: access to Federal system power; products available to requirements customers; pricing and rates for priority firm service; low density discount; irrigation rate mitigation; and new large single loads (NLSL).

Access to Power

BPA will offer contracts to all its customers: public utilities, investor-owned utilities, and DSIs at the same time. For public utilities, BPA has decided to develop new 20-year contracts accompanied by a long term rate tiering methodology that limits the amount of power available

at its lowest cost-based Priority Firm (PF) rates. BPA will accomplish this by setting a High Water Mark (HWM) for each utility that defines the amount of federal power a utility may buy at the lowest-cost Tier 1 rate. The amount of power a utility chooses to buy from BPA for its load will be its net requirement and power beyond its HWM will be priced at a Tier 2 rate, which is designed to recover the marginal cost. BPA will base the total HWM amounts so as not to exceed the planned firm power output of the existing Federal system for 2012, using critical water to calculate the firm power (as it has traditionally been defined for regional planning purposes) plus a limited amount of power purchased as augmentation.

BPA will make augmentation purchases, if necessary, to supply up to 250 aMW at the Tier 1 rate for new public utilities, although the maximum 250 aMW would not be reached for several rate periods. This will balance the reasonably foreseeable needs to serve new public utilities without reducing the availability of power at the Tier 1 rate to existing public utilities. Special provisions are made to address the unique challenges of new and existing tribal utilities. BPA will also purchase power to augment the existing system by the lesser of either 300 aMW or the amount needed to meet utilities' HWMs based on their FY 2010 loads. At the 300 aMW cap, this would be roughly a 4 percent increment to the existing system and is in addition to any augmentation for new public utilities.

Products Available to Requirements Customers

BPA will continue to make an array of products available that are intended to meet customers' diverse needs. Products offered will be comparable to products currently available. At a minimum, BPA will offer Load-Following, Block, and Slice products. For customers that want to purchase Federal power from BPA at a Tier 2 rate, BPA intends to offer a number of resource-based Tier 2 rate alternatives, including new renewables. Details related to the design of power products, related services and rate tiering will be refined through the contract and product development process, as well as the subsequent Tiered Rate Methodology (TRM) process (see below).

Pricing and Rates for Priority Firm Service

In subsequent processes aimed at giving customers long-term predictability and certainty, BPA will establish a long-term TRM to implement the HWM construct. The TRM will be developed in accordance with rate-setting provisions of Section 7(i) of the Northwest Power Act. The PF Tier 1 rate will include the cost categories that mostly parallel the cost categories in the current PF rate. The level of the PF Tier 1 rate will be recalculated every rate period based on the costs allocated to the Tier 1 rate. PF Tier 2 rates will be applied to requirement load service to meet a customer's net annual firm power requirements loads above its HWM. BPA will set the PF Tier 2 rates to fully recover the costs of the incremental power supply from those customers who take load service at the PF Tier 2 rate.

Low Density Discount

Section 7(d)(1) of the Northwest Power Act requires the Administrator to provide low density discounts (LDD) to the wholesale power rates of customers with low system densities "to the extent appropriate." In future rate proceedings under this Policy, BPA will propose the establishment of long-term LDD stability over multiple rate periods (or the contract period) to the extent permitted by law. Also, in order to avoid biasing a customer's resource choices, BPA

will advocate that the level of a customer's LDD benefits should not be affected by its choice between BPA's power sold at a PF Tier 2 rate and power from non-Federal resources.

Irrigation Rate Mitigation

Beginning with the FY 2012 rate period and continuing through the term of the Regional Dialogue contracts, BPA will propose inclusion of Irrigation Rate Mitigation (IRM) in BPA's initial wholesale power rate proposals. The proposed IRM would be seasonally available during May, June, July, August and September as a fixed mills-per-kWh discount. The proposed IRM will be adjusted to include September irrigation levels, spreading the May-through-August total energy over the May-through-September period. Irrigation load eligible for the proposed IRM would be based on qualifications that will be established in future rate proceedings. Customers who are participating in BPA's IRM Product during FY 2007-2011 or who participated in BPA's FY 1997-2001 Summer Seasonal Product will not be excluded. BPA will require participating customers to implement cost-effective conservation measures on irrigation systems in their service territories.

New Large Single Loads

For NLSL, BPA will continue its current NLSL Policy released in April 2001, as clarified by a 2002 ROD and the Short-Term Regional Dialogue Policy. BPA has sunset its off-site renewables option, effective December 31, 2006. As described in the renewables section of the Policy, BPA has a number of more-effective tools for facilitating renewable resource development. BPA will retain the portion of the current NLSL policy that allows a consumer to apply an on-site renewable or on-site cogeneration to an NLSL as an option to reduce the facility's load to less than 10 aMW. For the post-2011 contract period, the consumer's ability to stay below 10 aMW will affect the calculation of the serving utility's HWM.

SLICE PRODUCT

BPA has decided to offer a Slice product that is similar to the original Slice product but with a number of refinements. The Policy provides for an increase in the amount of power sold under the Slice product from the current 22.6 percent to as much as 25 percent of the power available from the Federal Base System (FBS) resources. The Slice product will be refined to include modest changes to within-hour flexibility rights and to more accurately and fairly share operational flexibility and limitations.

BENEFITS TO RESIDENTIAL AND SMALL-FARM CONSUMERS OF IOUs AND PUBLIC AGENCIES

Providing benefits to the residential and small farm consumers of the investor-owned utilities (IOUs) and public agencies will continue to be the subject of ongoing discussions and negotiations. Although the Policy Proposal included a proposed Residential Exchange Program (REP) settlement, BPA has subsequently decided to defer any decision on implementation of the REP post-2011 to a later date. Therefore, this issue is not part of the Long-Term Regional Dialogue Policy. Nonetheless, BPA's goal is to assure the residential and small-farm customers of IOUs receive a fair and reasonably stable share of the benefits from the Federal system over the long term, consistent with law, that will parallel the certainty obtained by public utilities. IOUs will be offered new contracts at the same time as other customers.

SERVICE TO DIRECT-SERVICE INDUSTRIES

BPA has not yet finalized its decision on providing service to DSI customers post-2011, and therefore this issue is not part of the Long-Term Regional Dialogue Policy.

CONSERVATION

To meet its load obligations, BPA will pursue conservation equivalent to all cost-effective conservation in the service territories of those public utilities served by BPA and will accomplish this in partnership with public utilities at the lowest cost to BPA. BPA expects these goals to be met to a significant extent through programs initiated and funded by its public utility customers. BPA will supplement and facilitate utility initiatives. BPA expects to continue to use the Council's Power Plan as the basis for its targets for cost-effective conservation. BPA will count all cost-effective conservation achieved as a result of BPA-funded and customer-funded efforts toward meeting this target. Under this Policy, BPA will take two primary actions to meet its conservation goal. First, BPA will implement tiered rates, which should create an economic incentive for customers to pursue conservation. Second, BPA will provide a set of conservation programs that build on those incentives to ensure that conservation targets are met at least cost.

RENEWABLE RESOURCES

The goal of BPA's support for renewable resources will be to ensure the development of its share of all cost-effective regional renewable resources. To meet its load obligations, BPA will base the goal for its renewable resource program on a percentage of the regionally cost-effective renewable resources and expects to continue to use the Council's regional Power Plan as the basis for this target. BPA's percentage share will be based on public power customers' share of regional load growth. The least-cost path to achieving this goal is likely to be the marginal cost signal sent to customers by tiered rates, coupled with a strong emphasis on facilitating development of renewable resources by public power customers to meet load, and renewables-based power service at a Tier 2 rate from BPA. To the extent it is feasible and prudent given non-power operating constraints, BPA will also use the flexibility of the Federal hydro system, and/or additional acquired resources as needed, to provide integration products and services for renewable resources that are being used to serve a public power customer's regional retail load.

The Policy does not address transmission products and services, including ancillary services, which are critical services needed for integrating renewable resources into the power system and delivering them to load. These services are provided by BPA's Transmission Services group, and are developed through processes separate from the Long-Term Regional Dialogue process. These services are available to all transmission users, including both public power utilities and investor-owned utilities.

TRANSFER SERVICE

BPA has decided to continue to ensure that Federal power preference customers are subject to equivalent BPA transmission policies without regard to whether the customer is served via the contiguous Federal Columbia River Transmission Service (FCRTS) or through an intervening system. BPA will use a set of Supplemental Guidelines that augment the BPA Transmission Services' "Guidelines for Direct Assignment Facilities," to assign costs to Transfer Service customers that are comparable to the costs they would incur if they were directly connected to

the BPA transmission system. BPA will continue to act on behalf of transfer customers to help ensure that quality of service is provided by the third-party transmission providers, consistent with established contracts and tariffs. BPA will also provide some level of financial assistance to transfer service customers who acquire power from non-Federal resources to meet requirement loads above their HWM.

RESOURCE ADEQUACY

The Council recently adopted Energy Adequacy and Pilot Capacity Adequacy Standards and a voluntary implementation plan, which were developed and recommended by the Pacific Northwest Resource Adequacy Forum (Forum). Assuming the ongoing effort to finalize adequacy standards and put appropriate implementation mechanisms in place is successful, BPA will rely primarily on the Forum and Council processes to assure regional resource adequacy. In order to preclude required compliance with regional resource adequacy standards in the Regional Dialogue power sales contracts, these remaining major milestones – Council adoption of a final Capacity Adequacy Standard and an Economic Adequacy Standard and Forum completion of utility-specific guidance for applying regional standards – need to be achieved before contracts are signed. The Regional Dialogue contracts will then require that customers provide forecasts of loads and resources annually on a confidential basis to the Pacific Northwest Utilities Conference Committee, or its successor organization, and the Council to facilitate the performance of regional resource adequacy assessments.

LONG-TERM COST CONTROL

To give customers and other stakeholders robust opportunities to provide comment to BPA on its costs, BPA will institute a regional cost review, generally as described in the Policy.

DISPUTE RESOLUTION

The Policy responds to customer requests for robust dispute resolution mechanisms and lays out guidelines for dispute resolution, while stressing that final determination of the appropriate mechanism must in many instances be done in conjunction with development of the TRM and power sales contracts. To be effective and equitable, dispute resolution must be tailored to the type of dispute, the issues, and the parties involved. BPA intends to approach disputes in good faith and to engage in resolution processes appropriate to the dispute that provide the maximum simplicity, clarity, and equity while still following BPA's statutes and the Administrator's legal responsibilities.

NEW LONG-TERM CONTRACTS

Under this Policy, BPA will negotiate and offer 20-year Regional Dialogue power sales contracts. BPA will not offer an option of staggered contract durations (e.g., 10- and 20-year contracts). The certainty provided by 20-year contracts is needed to promote customers' electric infrastructure development. Contracts of a shorter duration, including staggered contracts, would decrease this certainty. BPA intends to offer contracts to all customers at the same time. BPA intends to offer Regional Dialogue contracts to public utilities on October 1, 2008, or as close as possible thereafter. Power service under these contracts is expected to begin October 1, 2011, after the existing Subscription contracts expire. Beginning service in FY 2011 will avoid the inconsistencies and costs associated with concurrent administration of Subscription contracts for some customers and Regional Dialogue contracts for others. Execution of the contracts three

years before service begins will also allow time for both BPA and customers to plan for their post-2011 power resource needs.

EVALUATION OF INDIVIDUAL POLICY ISSUES

BPA has reviewed each of the individual policy issues in its Long-Term Regional Dialogue Policy under NEPA. For some policy issues, there are no environmental effects resulting from the implementation of the policy and NEPA thus is not implicated. For other policy issues, the policy is merely a continuation of the status quo and additional NEPA analysis of these issues thus is not necessary. For the remaining policy issues, a review of the Business Plan EIS clearly shows that the potential environmental impacts are adequately covered.

SERVICE TO PUBLIC UTILITIES

Access to Power

Under this policy issue, BPA will limit sales of firm power at the lowest cost-based rates to approximately the firm capability of the existing Federal system plus up to an additional 300 aMW through a rate tiering construct. Customers may purchase additional Federal power for their net requirements loads, but it will be priced at a Tier 2 rate based on the marginal cost of the service. BPA will make augmentation purchases up to 250 aMW, if necessary, to supply new publics at the Tier 1 rate. The Market-Driven alternative in the Business Plan EIS included the adoption of tiered rates for firm requirements power in the long term (Business Plan EIS, section 2.2.3) and a tiered rate design module is intrinsic to the alternative. Possible market responses from implementation of tiered rates were described in the Business Plan EIS, and potential environmental impacts were identified and analyzed. In addition, the Market-Driven alternative recognizes the need to continue to offer cost-based firm requirements power products that meet Northwest Power Act obligations (including new publics). Thus, this policy decision is within the scope of the Business Plan EIS and consistent with the Market-Driven alternative adopted in the Business Plan ROD.

Products Available to Requirements Customers

Because BPA will continue to offer power products and services that are comparable to those that are currently available, BPA's decision to offer these products is a continuation of the status quo. BPA analyzed the environmental impacts of these products in two previous RODs tied to the Business Plan EIS and ROD: the 1998 Power Subscription Strategy NEPA ROD (section 8) and the 2005 Policy for Power Supply Role for Fiscal Years 2007-2011 NEPA ROD (section 5). Additional NEPA analysis thus is not needed for this policy issue.

Pricing and Rates for Priority Firm Services

BPA's decision to develop, in a subsequent process, a TRM for implementing the tiered PF rate structure does not result in environmental effects. Thus NEPA is not implicated for this policy issue. The TRM will be developed in accordance with the rate-setting provisions of Section 7(i) of the Northwest Power Act. BPA will consider any environmental implications of the TRM under NEPA after a particular TRM is developed, but prior to adopting that TRM.

Low Density Discounts

BPA currently offers a LDD and expects to continue to offer a LDD, to be developed and proposed in future proceedings, under the Policy. BPA's decision to propose the establishment

of long-term LDD stability over multiple rate periods in future rate proceedings does not result in environmental effects, thus NEPA is not implicated for this policy issue. The specific terms of the LDD will depend in part on regional views obtained through use of a Special Forum under BPA's WP-07 rate proceeding. Any environmental implications of a proposed LDD will be considered under NEPA after a proposal is developed, but prior to making a final decision concerning LDD.

Irrigation Rate Mitigation

BPA currently offers IRM and expects to continue to offer IRM under the Policy. In future initial wholesale power rate proposals, BPA will propose inclusion of an IRM in the form of a fixed mills-per-kilowatt hour discount that would be seasonally available during May, June, July, August, and September. The specific decision on terms of the IRM will be established through future Section 7(i) rate proceedings. Any environmental implications of a proposed IRM will be considered under NEPA after a proposal is developed, but prior to making a final decision concerning IRM in a rate proceeding.

The Long-Term Regional Dialogue Policy includes a provision stating that participants in IRM must implement cost-effective conservation measures on irrigation systems in their service territory. This requirement is consistent with the Market-Driven alternative in the Business Plan EIS, which calls for the use of incentive programs as a means to acquire conservation (Business Plan EIS, section 4.2.3.1).

New Large Single Loads

Under this policy issue, BPA will continue to follow the agency's current NLSL Policy released in April 2001 as clarified by its 2002 NLSL Policy Issue Review ROD and the Short-Term Regional Dialogue Policy. The Long-Term Regional Dialogue Policy slightly modifies BPA's policy on NLSL by sunsetting its off-site renewable consumer-owned resource option. BPA believes that the Policy's direction on conservation and renewables makes the off-site renewables option unnecessary. This approach is primarily a continuation of the status quo. BPA analyzed the environmental impacts of the NLSL policy in two previous RODs tied to the Business Plan EIS and ROD: the 2002 NLSL Policy Issue Review ROD and the 2005 Short-Term Regional Dialogue Policy NEPA ROD. Additional NEPA analysis thus is not needed for this policy issue.

SLICE PRODUCT

BPA's decision to offer a Slice product similar to the original Slice product is a continuation of the status quo. The Slice product refinements described in the Policy are not a significant change in this product, and would not be expected to result in a substantial change in potential environmental effects. BPA analyzed the environmental impacts of the Slice product in two previous RODs tied to the Business Plan EIS and ROD: the 1998 Power Subscription Strategy NEPA ROD (section 8) and the 2005 Short-Term Regional Dialogue Policy NEPA ROD (section 5). Additional NEPA analysis thus is not needed for this policy issue.

BENEFITS TO RESIDENTIAL AND SMALL-FARM CONSUMERS OF IOUS AND PUBLIC AGENCIES

Because BPA has decided to defer any decision on REP benefits after FY 2011 to a later date, a decision on this issue is not being made as part of the Long-Term Regional Dialogue Policy. If some form of a residential exchange program or potential settlement is proposed in the future, BPA will consider any such program or proposal under NEPA prior to making a decision on this policy issue.

SERVICE TO DIRECT-SERVICE INDUSTRIES

Because BPA has decided to defer any decision on service to DSIs after FY 2011 to a later date, a decision on this issue is not being made as part of the Long-Term Regional Dialogue Policy. However, whatever level of DSI service is decided, the analysis of the environmental impacts would likely fall within the scope of the Business Plan EIS given the broad range of potential DSI service that was covered by the EIS. The Business Plan EIS included analytical modules that considered service to DSIs ranging from “no new firm power sales contracts” to “100-percent firm service” (Business Plan EIS, sections 2.3.1.3 and 2.6.3.3). BPA will conduct a separate NEPA evaluation as appropriate prior to making a decision on this policy issue.

CONSERVATION

BPA will continue to facilitate the development of cost-effective conservation in the service territories of public utilities served by BPA based on its share of regional load growth, while keeping the costs and rate impacts of doing so as low as possible. This policy approach on conservation is largely a continuation of the status quo. This policy thus continues to further the goals of the Market-Driven alternative analyzed in the Business Plan EIS (Business Plan EIS, section 4.2.3.1) and adopted in the ROD, as refined by the Power Subscription Strategy adopted by BPA as well as the Short Term Regional Dialogue Policy. Possible market responses associated with conservation acquisition were described in the Business Plan EIS, and potential environmental impacts were identified and analyzed (Business Plan EIS, section 4.4.2.3). Therefore, this policy decision is within the scope of the Business Plan EIS and consistent with the Market-Driven alternative adopted in the Business Plan ROD.

RENEWABLE RESOURCES

BPA will largely continue its current practices concerning renewables, including ensuring the development of its share of all cost-effective regional renewable resources and providing necessary integration services to public power customers that acquire non-Federal renewable resources to meet public power load growth. In addition, BPA will facilitate the development and use of power generated by renewables and recover the costs in the Tier 1 rate and will also include a renewables-based load service at a Tier 2 rate. BPA’s renewable resources policy approach is an implementation of the Market-Driven alternative analyzed in the Business Plan EIS (Business Plan EIS, section 4.2.3.2) and adopted in the ROD, as well as the Resource Programs ROD which was incorporated by reference into the Business Plan EIS and ROD. Intrinsic to the Market-Driven alternative, BPA would acquire renewable resources to support sales of “green” firm power to utilities that pay for that product’s additional cost (Business Plan EIS, section 2.6.2). Possible market responses associated with renewable resource acquisition were described in the Business Plan EIS and the Resources Program EIS (DOE/EIS-0162, February 1993), and potential environmental impacts were identified and analyzed. Therefore,

this policy decision is within the scope of the Business Plan EIS and consistent with the Market-Driven alternative adopted in the Business Plan ROD.

TRANSFER SERVICE

BPA will continue to ensure that Federal power preference customers are subject to equivalent BPA transmission policies without regard to whether the customer is served via the contiguous FCRTS through an intervening system. This policy is largely a continuation of the status quo, and additional NEPA analysis thus is not needed for this policy issue. Furthermore, the Business Plan EIS discusses examples of response strategies that BPA could employ that would allow BPA to balance its costs and revenues (Business Plan EIS, section 2.5). One such example given to reduce spending for BPA's activities is a reduction in transmission construction spending. By adopting a transfer service policy that allows customers to receive power deliveries through an intervening system, BPA is enacting a response strategy aimed at keeping transmission construction costs low.

RESOURCE ADEQUACY

This policy issue involves general administrative matters regarding data provisions, responsibilities, and notice provisions. Because it is expected that there would be no environmental effects related to this policy issue, NEPA is not implicated for this policy decision.

LONG-TERM COST CONTROL

This policy issue involves general administrative matters related to public input and promoting transparency under BPA's financial information disclosure policy, allowing for public input on agency costs, and demonstration of management of those costs. Because it is expected that there would be no environmental effects related to this policy issue, NEPA is not implicated for this policy decision.

DISPUTE RESOLUTION

This policy issue involves general administrative matters regarding the various mechanisms available to Regional Dialogue power contract holders for dispute resolution. Because it is expected that there would be no environmental effects related to this policy issue, NEPA is not implicated for this policy decision.

NEW LONG-TERM CONTRACTS

Under this policy issue, BPA will offer 20-year Regional Dialogue power sales contracts. This approach to contracts is within the scope of the Business Plan EIS and ROD, and consistent with the Market-Driven alternative adopted by BPA. Furthermore, it is expected that there would be no environmental effects directly related to the duration of the new contracts.

EVALUATION OF POLICY ISSUES COLLECTIVELY

BPA also has reviewed the policy issue decisions in the Long-Term Regional Dialogue Policy taken together to determine whether the Policy is consistent with the Market-Driven alternative in the Business Plan EIS and whether the Policy would result in any significantly different environmental impacts from those already described in the Business Plan EIS. It is expected

that, as a whole, BPA’s policy decisions on its Long-Term Regional Dialogue likely will have some influence on customers’ decisions on whether or not to buy power from BPA to serve their firm loads. These BPA actions and the customer reactions are the market responses - resource development, resource operations, transmission system development and operations, and consumer behavior - that determine the potential environmental impacts. This section provides a summary of the potential environmental impacts associated with the market responses that could occur as a result of the Long-Term Regional Dialogue Policy and includes references to the appropriate sections of the Business Plan EIS and the Business Plan ROD.

RESOURCE DEVELOPMENT

Resource development has a potentially greater impact on the environment than the other market responses. However, whether customers choose BPA or other regional providers to serve their loads has a minimal effect on the potential environmental impacts from resource development. The Business Plan EIS shows that the difference in environmental impacts between BPA serving loads and other regional providers serving loads is relatively minor. Although BPA’s share of the regional load varies widely across the alternatives, the differences in total environmental impacts among alternatives are small (Business Plan EIS, Figure 4.4.5).

The more important factor influencing potential environmental impacts is whether or not the region will be in an energy resource surplus or deficit situation. Based on BPA’s most recent Pacific Northwest Loads and Resources Study (White Book, March 2006), BPA is expected to be deficit beginning in 2007 continuing through 2016 under critical water (see Table 1). Under the current Pacific Northwest regional resource stack, the region is expected to have firm energy surpluses through OY 2016, approaching load/resource balance starting in 2016 (see Table 2).

Table 1
Annual Federal Firm Energy Surplus/Deficit Projections
Using 1937-Critical Water Conditions
Energy in Average Megawatts

Operating Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Federal Surplus/Deficit	-24	-66	-152	-148	-260	-21	-111	-62	-215	-167

Table 2
Regional Firm Energy Surplus/Deficit Projections
Using 1937-Critical Water Conditions
Energy in Average Megawatts

Operating Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Regional Surplus/Deficit	2,028	2,262	1,753	1,542	1,156	1,081	697	590	70	5

There is some variability in the surplus/deficit projections under differing water conditions. There is also potential variability for regional projections due to the level of generation delivered

to the region from independent power producers (IPP). The above projections assumed approximately 3,360 aMW of uncommitted IPP generation was contracted or sold to regional entities to serve Pacific Northwest loads. However, the Pacific Northwest may have to compete with other western markets to secure this supply and these resources may not be available when needed to serve Pacific Northwest loads.

If the region is deficit, all resources in the region will be expected to run and additional resources will be needed. As described in the Long-Term Regional Dialogue Policy, BPA will promote and facilitate the development of conservation and renewable resources in the region. The Pacific Northwest region may also rely on imports from existing extraregional power resources or on the development of new resources. In either case, there is likely to be an increase in air emissions if the new resources are combined-cycle combustion turbines (CTs). However, if cleaner, more fuel-efficient new resources displace existing thermal generation, the overall air quality impacts may be lessened (Business Plan EIS, section 4.4.1.4). The generic environmental impacts of alternative generation and conservation resources are presented in section 4.3.1 of the Business Plan EIS. This generic impact assessment was updated in BPA's Fish and Wildlife Implementation Plan (FWIP) EIS (DOE/EIS-0312, April 2003) in Volume 2, Appendix J.

Based on growing concern over global warming and the effects of greenhouse gases, legislation requiring states to limit greenhouse gas emissions or adopt renewable energy portfolio standards has been passed or proposed in various states in the Pacific Northwest. Such legislation mandates states and/or utilities to undertake actions such as: obtain a percentage of their electricity from renewable resources, implement cost-effective conservation, or serve a percentage of their load growth with renewable resources. Such mandates, coupled with BPA's renewable resources and conservation commitments, could lead to increased development and use of renewable resources within the Pacific Northwest.

In the less likely event the region is in a surplus situation, new thermal resources would not be needed (except as replacement generation). The closer the region is to load/resource balance, however, the greater the likelihood new resources will be needed. As discussed above, these new resources would most likely be CTs, renewables (such as wind), and conservation.

RESOURCE OPERATION

Hydrosystem operations will not be affected by BPA's Long-Term Regional Dialogue Policy decision. BPA serves its contractual obligations and markets power and services with power available from federal resources consistent with the operating constraints that apply to the federal hydrosystem (Business Plan EIS, section 1.5.6; Business Plan ROD, section 2).

In a deficit situation, all existing resources in the region will run and energy may be imported from existing energy resources outside the region, whether procured by BPA or BPA's customers. Temporary small resources may also operate, causing an increase in air emissions. However, new resources, particularly cleaner, more fuel-efficient CTs, integrated gasified coal plants, or wind farms, may displace some of the existing thermal generation, lessening the overall air quality impacts (Business Plan EIS, section 4.4.1.4).

If the region is surplus, surplus hydropower could be used to displace existing thermal generation, resulting in fewer air emissions. Also, wind and other intermittent renewable resources could be employed more in a regional surplus situation. If most existing regional resources run, no substantial changes in environmental impacts would be expected.

TRANSMISSION SYSTEM DEVELOPMENT AND OPERATIONS

BPA's decision on the Long-Term Regional Dialogue Policy and future decisions in other processes could result in impacts on resource development choices, which could affect transmission development and operation in the region. The anticipated increase in resource development, such as renewables, may result in the need for new or upgraded transmission lines, interties, or substations. Transfer Services can be employed by BPA to ensure equitable, high quality power deliveries across non-BPA transmission lines, which could delay or avoid the building of new lines (Business Plan EIS, section 2.5.2). Under the Policy, reliability criteria and planning would continue to be primary drivers for transmission development and operation. The generic environmental impacts of transmission development and operation were described in section 4.3.2 of the Business Plan EIS.

CONSUMER BEHAVIOR

BPA's business decisions affecting its wholesale customers ultimately affect end-use retail rate paying consumers through the cost of electric power or other conditions of electric utility service. Environmental impacts may arise from the actions consumers take in response to these costs or conditions. If consumers perceived that power supply role changes could increase electricity rates, they may make changes in their electric energy consumption - improve energy efficiency, switch fuels, change time of use, or curtail use (Business Plan EIS, section 4.1.2.5). Conservation measures, in and of themselves, have few environmental impacts (Business Plan EIS, section 4.3.1). The success of any effort to continue to ensure that cost-effective conservation and renewables get developed would reduce the region's reliance on or need for thermal resources. As a result, there should be fewer impacts to air, land, and water. Increased costs from stricter regulations on emissions (Business Plan EIS, section 4.4.5.7) and concerns over the impacts of increased levels of greenhouse gas emissions (Business Plan EIS, section 4.4.3.8) may also factor into consumers' resource choices.

Taken as whole, BPA's Long-Term Regional Dialogue Policy does not deviate significantly from BPA's already adopted policies for its power supply role in the region. Furthermore, this policy does not present potential environmental impacts that are substantially different from those already described and analyzed in previous NEPA documents prepared by BPA. In fact, this Long-Term Regional Dialogue Policy represents a direct application of BPA's earlier decision to use a Market-Driven approach, consistent with its statutory responsibilities, for participation in the electric power market in the region. BPA's decision on this Long-Term Regional Dialogue policy, taken as a whole, is therefore consistent with BPA's Business Plan EIS and the Business Plan ROD.

PUBLIC PROCESS

Public process is integral to BPA decision-making. BPA's Long-Term Regional Dialogue Policy incorporates information received from customers, tribes, constituents, industries, and the

general public during the development of the Policy. Throughout the Regional Dialogue process, BPA has also been clear about the agency's intention to use the Business Plan EIS to support its decision.

REGIONAL DIALOGUE PUBLIC PROCESS

Extensive public involvement during the five-year long Regional Dialogue process led to the development of the Long-Term Regional Dialogue Policy. This public outreach informed the public of BPA's proposals, provided opportunities for the public to comment on the proposals, and helped shape how the proposals will be implemented. A comprehensive summary of the public process during the development of the Long-Term Regional Dialogue Policy is included in the Administrator's ROD.

ADDITIONAL PUBLIC PROCESS OPPORTUNITIES

The public has been given public involvement opportunities not only during the development of the Long-Term Regional Dialogue Policy, but also during the period when BPA's basic business direction was being defined. The Business Plan EIS was one such opportunity. Among other things, the Business Plan EIS identifies and evaluates the products and services BPA will market, a policy direction for BPA's sale of power products to its customers, and contract terms and rates for power products and services (Business Plan EIS, section 1.4.2). The Short-Term Regional Dialogue Policy NEPA ROD describes the public process associated with the development of the Business Plan EIS. In addition, BPA's development of its Power Subscription Strategy provided an opportunity for public input concerning BPA's potential risk mitigation tools. Among other things, this Strategy specifically addresses the equitable distribution of electric power generated by the FCRPS. The NEPA ROD for the Short-Term Regional Dialogue Policy also summarizes the Power Subscription Strategy Public Process.

Most recently, the public was invited to provide comments to assist BPA in identifying potential changes in the affected environment and/or BPA's business activities, relevant to the preparation of the Supplement Analysis to the Business Plan EIS. BPA sent a letter to interested parties throughout the region on December 17, 2004 announcing that BPA intended to prepare a Supplement Analysis to assist the agency in determining a need for a new or supplemental EIS for its business decisions, and inviting public input on information that should be considered by BPA in the Supplement Analysis. The comment period closed on March 1, 2005. The Supplement Analysis, which was released in April 2007, addressed all substantive comments received by BPA during the comment period, as well as through other forums, such as the scoping process for the terminated Transmission Business Policy EIS.

COMMENTS

BPA received approximately 150 written comment letters on its Long-Term Regional Dialogue Policy Proposal by e-mail, fax, and postal service delivery. In addition, BPA received comments at the numerous public meetings for the Long-Term Regional Dialogue held throughout the region. The comments reflect the views of customers, tribes, constituent groups, industry, individuals, and others. An issue-by-issue analysis produced about 1,100 separate comments that were organized by subject to reflect the order of the policy itself. The comments received show an overwhelming support from the region for the overall Policy direction BPA is taking and the interests/goals that have guided the Regional Dialogue process. Comments within the

scope of the present Long-Term Regional Dialogue Policy process have been reviewed and considered in the Administrator's ROD, with environmental and NEPA-related comments addressed in this NEPA ROD.

Summary of Key Issues and Concerns

Many of the comments received expressed concern over BPA maintaining its commitment to meet its share of the Council's conservation and renewable resource targets. Comments also addressed limiting BPA's long-term load service obligation at lowest-cost-based rates for Pacific Northwest requirements loads; BPA's approach to the tiered rates methodology, and the components of rate design; post-2006 service to the DSIs; controlling costs and consulting with BPA stakeholders, service to publics' purchase commitments and terms; product development; and Tier 2 rate alternatives that will be available to customers. The Administrator's ROD includes an issue-by-issue review and evaluation of the comments received.

Comments Outside the Scope of Regional Dialogue

Some comments were received on issues that, although important, are outside the scope of the Long-Term Regional Dialogue Policy. The issues related to BPA's fish and wildlife program, including program funding levels; the importance of regional transmission adequacy; BPA's internal operations; and BPA's unique government-to-government responsibilities relating to the region's Indian tribes. In addition, some comments were received on issues that BPA has determined will be addressed in subsequent processes, such as BPA's products catalog, the long-term TRM, specific changes to BPA's Section 5(b)9(c) Policy, benefits to residential and small farm customers of IOUs, and future service to DSIs. Comments related to these issues are being retained for consideration in the appropriate subsequent process for review of those issues.

RESPONSE TO NEPA-RELATED COMMENTS RECEIVED

BPA received a number of comments as part of its public process for the Long-Term Regional Dialogue Policy that are relevant to its evaluation of the Policy under NEPA. Some comments expressed concern about basing a decision for the Policy on the Business Plan EIS and ROD. Other comments raised questions about potential environmental impacts that could result from implementation of the Policy. The following discussion identifies the comments received and provides responses to those comments.

Comment: Some commenters believe that BPA should not tier its decision under NEPA for the Long-Term Regional Dialogue Policy to the Business Plan EIS and ROD. Some of these commenters suggest that the Business Plan EIS is "outdated," while others question whether certain policy decisions were properly considered in the Business Plan EIS. These commenters thus suggest that BPA should prepare a new environmental analysis under NEPA for its decision related to the Long-Term Regional Dialogue Policy. (Canby Utility, CRITFC, Northwest Energy Coalition, and Save Our Wild Salmon)

Response: As discussed earlier in this ROD, the Business Plan EIS was premised on BPA's need for an adaptive business policy to enable the agency to meet the challenges and changes in the electric utility market effectively and efficiently. As is stated in Chapter 1 of the EIS, the need for the Business Plan EIS stems from the increasingly dynamic nature of the electric utility

market. As new elements arise in the marketplace, whether predictable or not, the Business Plan EIS allows BPA to respond to changes or new elements accordingly, in the timeframes needed for BPA to remain competitive in electric utility market.

The Business Plan EIS is a policy-level document that identifies – at a general, “macro” level appropriate for a policy-level document – the potential environmental impacts that could result from BPA’s policy decisions, based on how the electric utility market responds to these policy decisions. Thus, the Business Plan EIS focuses on BPA relationships to the market and employs a relationship analysis – that is, BPA has quantitatively and qualitatively evaluated relationships between variables in the short run, and assumed that these relationships will hold true in the long term. The structure of the EIS, including the relationship-based analysis and the use of modules for key issues, facilitates the ability of BPA to respond to the changes in the market.

Through its many RODs tiered to the Business Plan EIS, BPA has constantly reassessed the accuracy of this assumption, and has found that the relationships described in the Business Plan EIS have stayed largely the same where relevant to environmental concerns. For example, the 1998 NEPA ROD for the Power Subscription Strategy documents how market responses to BPA's business decisions and the potential resulting environmental effects had occurred as described in the Business Plan EIS, and how the EIS's analysis of the relationship between the two thus remained accurate for analyzing the environmental effects of the Power Subscription Strategy. The 2005 NEPA ROD for the Short-Term Regional Dialogue Policy considered developments in BPA's business decisions up until that point and reached a similar conclusion. These and other previous tiered RODs that are relevant to the decisions being made in the Long-Term Regional Dialogue Policy are further described earlier in this ROD under ""Relevant Subsequent Tiered RODs." The assumption made in the Business Plan EIS thus has been proven to be correct for the purposes of a policy-level EIS such as the Business Plan EIS, and the basic quantitative and qualitative relationships between variables described in the Business Plan EIS accordingly still hold true.

In addition, BPA recently completed a review of the Business Plan EIS and ROD through a Supplement Analysis to the Business Plan EIS. The Supplement Analysis, which was issued in April 2007, was prepared to assess whether the Business Plan EIS still provides an adequate evaluation, at a policy level, of environmental impacts that may result from BPA’s current business practices, and whether these practices are still consistent with the Market-Driven alternative adopted in the Business Plan ROD. As part of the preparation of the Supplement Analysis, changes that have occurred in the electric utility market and the existing environment were evaluated, and developments that have occurred in BPA’s business practices and policies were considered. Some of the more major changes in existing conditions that were evaluated in the Supplement Analysis include changes in the electric utility industry resulting from Energy Policy Acts, the 2001 West Coast energy crisis, and Federal Energy Regulatory Commission (FERC) orders, as well as further development of additional generation resources in the Pacific Northwest. The Supplement Analysis also describes how changes in regional fish and wildlife conditions, including those in response to Biological Opinions for the FCRPS, have been analyzed in BPA's FWIP EIS. Developments in BPA's business practices and policies that were evaluated in the Supplement Analysis include all major BPA policy initiatives and decisions

since the time the Business Plan EIS was issued, including marketing policies and rate cases described earlier in this ROD under "Relevant Subsequent Tiered RODs."

The Supplement Analysis found that the Business Plan EIS's relationship-based and policy-level analysis of potential environmental impacts from BPA's business practices remains valid, and that BPA's current business practices are still consistent with BPA's Market-Driven approach. The Business Plan EIS and ROD thus continue to provide a sound basis for making determinations under NEPA concerning BPA's policy-level decisions, such as BPA's decisions related to the final Long-Term Regional Dialogue Policy.

As is described in the sections of this ROD that evaluate the policy issues of the Long-Term Regional Dialogue Policy (both individually and collectively), for those policy issues with potential environmental implications, an analysis of those issues was provided in the Business Plan EIS. Since the relationship analysis of the Business Plan EIS still holds true, this analysis adequately describes the potential impacts that could occur from market responses to the decisions being made as part of the Long-Term Regional Dialogue Policy.

Comment: One commenter stated that the Long-Term Regional Dialogue appears to be inconsistent with the conclusions of the Business Plan EIS regarding the seasonality of rates, irrigation rate discount, and DSI service. (Canby Utility)

Response: The Market-Driven Alternative in the Business Plan EIS included modules that contemplated adoption of seasonally differentiated rates in the long term, declining allocations to the DSI over time, and elimination of the irrigation rate discount. Although these modules are intrinsic to the Market-Driven alternative, other analytical modules for rate design and DSI service were included and analyzed as variables (Business Plan EIS, Table 2.3-2). The Long-Term Regional Dialogue Policy does not preclude future decisions regarding seasonal rates and the amount of the irrigation rate discount in future rate cases. Also, the DSI service modules included a variety of service options for the DSIs, ranging from no new power sales contracts to 100-percent firm service. All of these modules were analyzed as variable for the Market-Driven alternative.

Comment: Some commenters are concerned that if BPA shifts the responsibility to meet future load growth to the regions' utilities, these utilities will choose to meet their growth from resources with more environmental impacts such as coal-fired generation plants, rather than renewable energy or conservation. (Affiliated Tribes of Northwest Indians, Audubon Washington, C. Loughheed, Community Action Partnership Association of Idaho, League of Women Voters of Washington, Montana Environmental Information Center, Montana Public Interest Research Group, Montana Trout, S. Nelson, Northwest Energy Coalition, Oregon Environmental Council, Oregon Interfaith Global Warming Campaign, and Save Our Wild Salmon)

Response: The Business Plan EIS evaluates the impacts of BPA's actions both on BPA and on the region as a whole (Figure 1.7-1). The EIS assumed the region will continue to need electric energy and BPA and others will supply that energy. While the products and services the various suppliers provide are often similar, how suppliers develop those products and services will vary.

Consequently, the environmental impacts will also vary as the products and services are developed in different ways or to different degrees.

Figure 4.1-1 of the Business Plan EIS illustrates the interrelationships among BPA, BPA customers, end use consumers, and other suppliers of conservation and generation resources. The potential environmental impacts of the various generation resources that would likely be used to serve the Pacific Northwest are summarized in section 4.3.1 of the EIS and updated in the FWIP EIS. As noted by the comments, differences in environmental impacts could arise from differences in the types of resources acquired by BPA compared to those acquired by other suppliers. If customers do not acquire all cost-effective conservation, they may meet their potential load growth with generating resources. Some may choose renewable resources such as wind power, but others may choose coal. However, state and local legislation regulating greenhouse gas emissions, often in the form of renewable portfolio standards, can be expected to also affect regional resource development, operation, and acquisition by the region's utilities. This legislation likely would ensure that a mix of renewable and non-renewable resources would continue to be pursued by the region's utilities under a policy that shifts the responsibility to meet future load growth to these utilities.

Comment: One comment questioned whether there would be an environmental impact if customer utilities are responsible for load growth and they do not acquire all cost effective energy efficiency and renewables consistent with the Council's Plan, and if this impact was considered in the Business Plan EIS. (Northwest Energy Coalition and Save Our Wild Salmon)

Response: The analysis in the Business Plan EIS focuses on relationships between BPA and the market, rather than providing a numerical or quantitative analysis. In this relationship analysis, BPA's actions and the market reactions can be sorted into four market responses: resource development, resource operation, transmission development and operation, and consumer behavior. These market responses determine the potential environmental impacts of BPA's actions, as well as the agency's ability to balance costs and revenues.

The Business Plan EIS evaluates the impacts of BPA's actions on both BPA and on the region as a whole (Figure 1.7-1). The EIS assumed that the region will continue to need electric energy and BPA and others would supply that energy. While the products and services the various suppliers provide are often similar, how suppliers develop those products and services will vary. Consequently, the environmental impacts will also vary as products and services are developed in different ways or to different degrees.

Figure 4.1-1 illustrates the interrelationships among BPA, BPA customers, end use consumers, and other suppliers of conservation and generation resources. Differences in environmental impacts will arise from differences in the types of resources acquired by BPA compared to those acquired by other suppliers. If customers do not acquire all cost-effective conservation, they would meet their load growth with generating resources, likely CTs or renewables, such as wind. The potential environmental impacts of the various generation resources that are likely to be used to serve the Pacific Northwest are summarized in section 4.3.1 of the EIS and updated in the FWIP EIS.

The Administrator has reviewed the Business Plan Final EIS for this Regional Dialogue ROD and has determined that the relationship analysis is still valid. In addition, as discussed above, the potential environmental impacts if customers do not acquire all cost-effective energy efficiency are included in the analysis in the EIS.

Additional information regarding conservation issues can be found in Section VII of the Long-Term Regional Dialogue Administrator's ROD.

Comment: One commenter stated that assumptions in the Business Plan EIS about market prices and meeting mandates were wrong, so BPA should not rely on the environmental analysis in the Business Plan EIS for its Long-Term Regional Dialogue policy decisions. (Columbia River Inter-Tribal Fish Commission (CRITFC))

Response: In adopting the Market-Driven alternative, BPA decided to compete in the wholesale market for electric energy. Regardless of market prices, BPA must balance its costs and revenues. This aspect of BPA's business operations is described fully in the Business Plan EIS and underlies all the analyses. Furthermore, assumptions made in the Business Plan EIS about market prices, whether correct or not, do not undermine continued validity of the Business Plan EIS. Statements made in the Business Plan EIS and ROD about potential future market prices, as referenced by the commenter, were merely intended to illustrate that the electric utility industry was changing, and that BPA could face increased competition. This has occasionally proven to be true, and it is not unreasonable to expect that it could happen again at some point in the future. Furthermore, as described previously, it is the relationship analysis of the Business Plan EIS that is important to understanding the potential environmental effects that could result from BPA's policy decisions. This relationship analysis still holds true today. This analysis thus adequately describes the potential impacts that could occur from market responses to the decisions being made as part of the Long-Term Regional Dialogue Policy.

In addition, contrary to the assertion of the commenter, BPA believes that its adoption of the Market-driven alternative has allowed the agency to retain the financial strength to fulfill its mandates under the Northwest Power Act and other organic statutes. Due in part to its business decisions under the Market-Driven alternative, BPA is financially stable and thus able to provide funding to meet its various mandates, including those referenced by the commenter. While there may be differing opinions in the region about what exactly is required by BPA to meet its mandates and what level of funding should be provided, BPA believes it has the financial strength to carry out its mandates. Thus, any disagreement on this issue is not a basis for not relying upon the environmental analysis in the Business Plan EIS for the Long-Term Regional Dialogue Policy decisions.

Comment: One commenter thought basing a decision for the Long-Term Regional Dialogue on the Business Plan EIS was not appropriate because there had been no analysis of whether the Policy would promote the fish-friendly resources called for by CRITFC's *Energy Vision for the Columbia River*, which was completed after the Business Plan EIS was issued. (CRITFC)

Response: The Business Plan EIS includes an analysis of the potential environmental impacts associated with the development and operation of various conservation and generation resources

(Business Plan EIS, section 4.3.1). In addition, potential impacts to fish from different operating strategies for the FCRPS were considered in depth in the System Operation Review (SOR) EIS (DOE/EIS-0170, February 1995). While the documents referenced by the commenter may have been completed after the Business Plan and SOR EISs were issued, they do not portray a seriously different picture of potential environmental effects, at a level relevant to policy-level decisions, than those in the EISs. In addition, it is important to understand that BPA serves its contractual obligations and markets power and services with available federal resources consistent with the current operating constraints that apply to the hydrosystem. Thus, BPA's power supply decision made as part of this Policy would not be expected to affect hydrosystem operations, let alone cause an environmental effect to fish. Furthermore, while BPA is willing to consider the actions called for in CRITFC' *Energy Vision for the Columbia River* to the extent that they are consistent with BPA's business decisions, the documents referenced by CRITFC are not binding on BPA.

As relevant to potential fish impacts that could ultimately result from market responses to BPA's business decisions, as mentioned in an earlier response, this information was updated in BPA's FWIP EIS. Resources analyzed included the same resources--conservation and efficiency improvements, wind generation, gas-fired combustion turbines, and fuel switching--promoted in *Energy Vision for the Columbia River*. BPA acquires generating resources according to the resource priorities of the Northwest Power Act and consistent with the Council's Power Plan. The Power Plan assesses the resources available to the region and their costs, inherent risks and other characteristics that affect how they fit with the existing and planned power system.

Since 1995, BPA has taken a number of steps to assist the region in achieving energy conservation savings. BPA has marketed several energy conservation services, worked to increase the number and variety of cost-effective measures, and encouraged demand reduction efforts. In addition, the Long-Term Regional Dialogue Policy includes initiatives to advance achievement of conservation and renewable resources. To meet its net requirement load obligations, BPA commits to pursuing the development of all cost-effective conservation in the service territories of the public utilities the agency serves and renewable resources based on its share of regional load growth, consistent with the Council's Fifth Power Plan.

Comment: Some commenters raised concerns about global warming and climate change. One concern was that, by shifting to a tiered rates construct in a competitive utility market, customers would choose resources based on lowest power rates (i.e., coal resources). Commenters noted this could result in increased greenhouse gases that will contribute to the effects of global warming. Commenters were concerned about the negative effect of global warming on snowpack, agriculture, tourism, recreation, forest health, municipal uses, and hydroelectricity. Another concern raised was whether the Business Plan EIS adequately evaluated the potential effects of market responses to BPA's business decisions on global warming. (Audubon Washington, Climate Solutions, CRITFC, International Association of Machinists and Aerospace Workers, W. Johnson, Montana Environmental Information Center, Montana Trout, S. Nelson, Oregon Environmental Council, and Oregon Interfaith Global Warming Campaign)

Response: Based on growing concern over global warming and the effects of greenhouse gases, legislation requiring electric utilities in states to limit greenhouse gas emissions or adopt

renewable energy portfolios standards have been passed or proposed in various states in the Pacific Northwest. Such legislation mandates the states and/or utilities to undertake actions such as: obtain a percentage of their electricity from renewable resources, implement cost-effective conservation, or serve a percentage of their load growth with renewable resources. Such mandates, coupled with BPA's renewable resources and conservation commitments described in the Long-Term Regional Dialogue Policy, will likely lead to increased development of renewable resources and conservation within the Pacific Northwest.

Global warming was an important issue in 1995, evidenced by the numerous discussions of the issue in the Business Plan EIS (sections 3.6.3, 4.2.3.4, 4.3.1, 4.3.3.5, 4.4.5.4, and 4.7). The Business Plan EIS also incorporates an extensive analysis from the Resource Program EIS regarding different energy resources and their greenhouse gas emissions (Resource Program EIS, section 5.11). BPA acknowledges that additional information is available today about trends in global warming and, in response, incorporated an update in the Business Plan EIS Supplement Analysis (April 2007, section 3). However, BPA has determined that the information currently available about global warming does not result in a seriously different picture of potential global warming impacts from BPA's business decisions than was described in the Business Plan EIS.

Comment: Some commenters expressed concern about the potential impacts that BPA's Policy decisions could have on socioeconomic and cultures around the region, including the importance of fisheries and service to the direct service industries on tribal, local, and regional economies. (A. Ciancibelli, Affiliated Tribes of Northwest Indians, Community Action Partnership Association of Idaho, Highland Winds, Idaho Water Resource Board, Montana Trout, The Mountaineers, Northwest Energy Coalition, Save Our Wild Salmon, Snake River Alliance, Yakama Nation)

Response: The Long-Term Regional Dialogue Policy will provide customers with greater clarity about their Federal power supply. Defining BPA's long-term power role is extremely important to the Pacific Northwest because the region's ability to grow its economy will either be facilitated or restricted by the availability of adequate, low-cost power. By helping to ensure high reliability, low rates consistent with sound business principles, responsible environmental stewardship, and clear accountability, the Policy will have a positive impact on the socioeconomic environment. The Policy will help ensure that economic benefits of the FCRPS remain in the Pacific Northwest. The increased focus on energy independence and climate change makes the Northwest's clean hydropower resource increasingly valuable. Locking in the value of the FCRPS now is important to capture the long-term benefits for the Northwest.

Fish and wildlife resources are important to the culture of the Pacific Northwest. The Policy's tiered rate structure will make BPA's fish and wildlife program less vulnerable to the cost of service pressures that have in the past caused budget pressures. In addition, hydrosystem operations will not be affected by BPA's power supply decision. BPA serves its contractual obligations and markets power and services with available power from federal resources consistent with the current operating constraints that apply to the hydrosystem, especially the current Biological Opinions. Because of the ongoing extensive efforts being made by BPA and the other action agencies responsible for the Columbia River hydrosystem, it is expected that conditions for fish and wildlife will continue to improve.

Tiered rates also should create a strong economic incentive for customers to pursue conservation to lessen the need to purchase higher-priced Tier 2 power. The Policy also includes a commitment to provide the necessary integration services to customers who wish to acquire nonfederal renewable resources to meet their load growth and enhanced incentives for conservation development between now and 2010.

BPA recognizes the importance of the DSIs to the Pacific Northwest economy. A policy decision on the level of benefits to be provided to the DSIs has not yet been made. More time is needed to work with the DSIs to identify potential arrangements that may give them a reasonable chance at being able to operate at a moderate level of cost and rate impact to BPA's other customers. BPA's Business Plan EIS analyzed the environmental impacts – including socioeconomic impacts – of various levels of service to the DSIs.

The Long-Term Regional Dialogue Policy benefited greatly from input by regional stakeholders, including tribes, governmental agencies, and interest groups, as well as the general public. The Policy reflects intense collaboration, negotiations, and compromise. Social, economic, and environmental factors were all considered in reaching a decision on the Policy.

Comment: One commenter asked whether long-range planning and adequate resource standards would be developed to ensure that in an emergency BPA is not forced to over use the hydrosystem to the detriment of salmon obligations, if new resource development is the responsibility of the region's utilities. (Northwest Energy Coalition and Save Our Wild Salmon)

Response: BPA serves its contractual obligations and markets power and services with available power from federal resources consistent with the operating constraints that apply to the hydrosystem. The Business Plan EIS (section 1.5.6) and ROD (page 4) explained that the SOR would define the power available to BPA from its hydro resources. The SOR EIS assesses the potential impacts of adopting different System Operation Strategies (SOS) for the FCRPS. The preferred alternative adopted operations recommended in the 1995 Biological Opinions issued by the United States Fish and Wildlife Service (USFWS) and the National Oceanic and Atmospheric Administration, National Marine Fisheries Service (NOAA Fisheries). In addition to documenting a strategy that is comprised of specific operating requirements, the SOR ROD embraced the concept of adaptive management. This adaptive management approach allows operational flexibility in responding to changing conditions and new information.

The SOR EIS has been used to support successor Biological Opinions. Additionally, BPA completed the FWIP EIS which outlines BPA's policy direction guiding the implementation and funding of its fish and wildlife mitigation and recovery efforts. The FWIP EIS incorporates the Business Plan EIS and the SOR EIS by reference.

Comment: Some commenters stated that fish and wildlife should not do worse than now because of the Policy, while other commenters expressed their general support for salmon recovery, healthy rivers, clean atmosphere, and/or wildlife habitat. (Bluefish; Citizens from Missoula, Montana; Citizens' Utility Board of Oregon; Montana Governor's Office; Northwest Energy Coalition; Save Our Wild Salmon; Shoshone-Bannock Tribes; and Yakama Power)

Response: Comment noted. As discussed in the Business Plan EIS and ROD, BPA intends to ensure that its policy decisions made concerning its power supply are made taking into full consideration its obligations to fish and wildlife. As part of these efforts, BPA will comply with direction set by NOAA Fisheries and the USFWS through their Biological Opinions for hydrosystem operations. Accordingly, BPA expects that fish and wildlife will not fair any worse than now because of the Policy.

Comment: Some commenters supported, for various reasons, removing the four Lower Snake River dams in order to minimize environmental impacts to fish. (A. Ciancibelli, Highland Winds, Idaho Rivers United, M. Jose, C. Loughed, Montana Trout, The Mountaineers Northwest Energy Coalition, Save Our Wild Salmon, Snake River Alliance, and T. Watanabe)

Response: Comment noted. The four Lower Snake River dams are owned and operated by the U.S. Army Corps of Engineers (Corps), and BPA does not have jurisdiction over these dams. Over the years, the Corps has conducted numerous studies and evaluations of dam operations, including the Lower Snake River Juvenile Salmon Migration Feasibility Report/Environmental Impact Statement. As part of these studies, the Corps has looked at an alternative of future dam removal. Decisions concerning removal of the four Lower Snake River dams rests with the Corps, and is therefore outside the scope of this Long-Term Regional Dialogue.

The federal hydrosystem is operated in accordance with the current BiOps under the Endangered Species Act. Cumulatively, since 1978, BPA has invested \$8.7 billion on its fish and wildlife mitigation and recovery program, including \$4 billion on direct program expenditures. Both the BiOps and the fish and wildlife program take into account tribal trust and treaty obligations. Since 1981, BPA has added more than 900 aMW to its long-term power supply through its energy conservation programs. Moreover, BPA's generating resource acquisitions have been consistent with the Council's Power Plan.

PUBLIC AVAILABILITY OF THIS ROD

This ROD, which satisfies BPA's requirements under NEPA, will be distributed to interested and affected persons and agencies. Copies of the Administrator's ROD for BPA's Long-Term Regional Dialogue Policy, the Long-Term Regional Dialogue Policy, the Business Plan, Business Plan EIS, the Business Plan ROD, the relevant subsequent tiered RODs, and additional copies of this NEPA ROD are all available from BPA's Public Information Center, P.O. Box 12999, Portland, Oregon 97212. Copies of these documents may also be obtained by using BPA's nationwide toll-free document request line, 1-800-622-4520.

The NEPA ROD will also be posted on BPA's Environmental Planning and Analysis' on-line Document Library for environmental planning and review documents at:

http://www.efw.bpa.gov/environmental_services/Document_Library/Business_Plan_EIS/,

as well as on BPA's Power Services' Regional Dialogue website at:

<http://www.bpa.gov/power/pl/regionaldialogue/>.

CONCLUSION

I have reviewed the environmental evaluation for each of the policy issues, both individually and collectively. For some of the issues, NEPA analysis is not required because there are no environmental impacts associated with the decision. For other issues, additional NEPA analysis is not necessary because the policy is a continuation of the status quo. Other issues will be addressed and decided in subsequent processes or forums; independent NEPA analysis for those issues will be conducted as appropriate at that time. For the remaining issues, the environmental effects have been addressed in the Business Plan EIS. I have also reviewed the Business Plan EIS and ROD. The Implementation of this Long-Term Regional Dialogue Policy would not be expected to result in significantly different environmental impacts from those examined for the Market-Driven alternative analyzed in the Business Plan EIS and adopted in the Business Plan ROD. Therefore, I have determined it is appropriate to tier this decision to implement this Long-Term Regional Dialogue Policy to the Business Plan ROD, as provided for in the Business Plan EIS and Business Plan ROD.

Issued in Portland, Oregon.

| /s/ Stephen J. Wright
Stephen J. Wright
Administrator and
Chief Executive Officer

July 19, 2007
Date