

**Meeting Summary**  
Bonneville Power Administration  
Regional Dialogue Policy Proposal  
West Yellowstone, Mont.  
Discussions on August 24-25, 2006  
Attendees: Approx. 50 (not including BPA)

This document is intended to summarize discussions between the Bonneville Power Administration (BPA) and some of its customers at an Idaho Energy Authority (IDEA) meeting Aug. 24, 2006, in West Yellowstone, Mont. (A continuation of the discussions took place the following day.) The meetings provided an opportunity for customers to comment and receive clarification on BPA's Regional Dialogue Policy Proposal (Proposal). This summary is not a verbatim transcript. It will become part of BPA's official record.

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### Comments

**Regional Dialogue Project Manager Scott Wilson of BPA** presented an overview of service to public utilities section of the Proposal. There were questions about the Proposal's use of 7,100 average megawatts (aMW) to specify the capability of the Federal Base System and how augmentation might affect the final FBS figure and customers' Tier-1 percentage allocations of the system.

**Assistant Manager Jo Fikstad of Idaho Falls Power** asked about BPA's proposed 300-aMW augmentation figure. BPA said it would not augment the FBS above that level to meet load growth; it would acquire additional resources from the market or other sources if needed to meet its customers' net requirements obligations. Service from BPA above a utility's HWM would be charged a Tier 2 rate.

**Manager Jim Webb of Lower Valley Energy** asked whether and how BPA plans to weather-normalize High Water Marks (HWM). BPA responded that such implementation issues will be worked out later, but there is an expectation HWMs will be weather-adjusted by BPA and provision made to accommodate force-majeure impacts on utility load service.

**Manager Ralph Williams of United Electric** asked whether a utility's HWM ever goes down due to retail load loss. **Bob Boren, a board member of Salmon River Electric**, noted that any movement of HWMs is a reflection that the HWM is a proportionate share of the FBS. Boren also asked about contract language to define the methodology to separate and allocate costs between the Tier 1 and Tier 2 pools.

Scott Wilson spent time explaining and providing examples to illustrate BPA's proposed six-step process for setting HWMs, as laid out on page 14 of the Proposal. He clarified that once HWMs are set, based on 2010 actual loads, with minor adjustments, the HWM becomes fixed for the 20 years of the contract. Adjustments may be made if system capability changes over time –

for example, in the event of the loss of Columbia Generating Station, a major component of the FBS – and would occur no more than once a rate period.

**Peter Richardson, the executive director of the Idaho Energy Authority (IDEA)**, asked whether consumer-funded energy efficiency achievements will be considered in the initial setting of HWMs.

BPA will credit 50 percent of BPA-funded savings through 2010, according to **John Pyrch of BPA’s EE organization**, and 100 percent of utility-funded savings. But, he clarified, the agency has yet to decide whether to include consumer-funded measures in the figures.

Dizes and Williams commented in essence that, “since a MW is a MW,” the funding source percentages should not matter; all savings should be credited.

Pyrch responded that BPA would consider their views.

Attendees asked how HWMs would be treated in the context of the occurrence of annexations of service territory, specifically in the case where one preference customer’s load becomes served by another preference customer.

Wilson explained that deference would be accorded to the new serving utility’s net requirement in all cases and would be the limiting factor in setting its maximum authorized federal power purchase amount. New publics will be served at Tier 1, he said, with the FBS being augmented as needed for that service up to a total of 250 aMW over the term of the contracts, not to exceed 50 aMW per rate period. Much of the detail of annexations will need to be worked out during the implementation phase of the RD, Wilson added.

Questions were raised about the procedures, timing requirements, and allocation amounts for HWMs for service to new publics. Wilson explained that BPA is willing to augment the FBS up to 250 aMW to provide Tier 1 service (and attendant HWMs) to new publics, but amounts and timing of this service will be as BPA has proposed. There will be aMW caps on Tier 1 service by rate period (50 aMW) and contract period (250 aMW), with possible exceptions for the introduction of new small publics onto the system. Wilson explained that in the last 20 years, approximately, there have been about 250-aMW worth of new public load added to the BPA system. Most of this load has come from existing IOU service.

Questions were asked about BPA’s use of critical water instead of average water to establish the value of the FBS at 7,100 aMW. Wilson explained that revenues from the sale of surplus power are applied as a credit against the FBS system costs, reducing embedded-cost rates.

Wilson explained that the “pooling” concept as the customers have proposed is essentially equivalent to PNGC’s current “operational pooling” construct. Limited pooling of customer loads by means of the establishment of joint operating entities (JOE) was authorized by Congress – for example, to provide for pooled service to PNGC’s Slice purchaser-members.

**Jim Webb of Lower Valley Energy** asked whether customers must purchase Tier 2 from BPA in flat blocks.

Wilson explained this is likely to be the case – although “flat” is probably too restrictive a term; “pre-defined shape” may be a more appropriate descriptor. “Flat block” is a starting point for discussions, Wilson said. Any shaping of Tier 2 power required by the customer may be

purchased from BPA, at an appropriate charge that reflects the cost of providing the flexibility.

He also clarified that customers need not purchase their power requirements above their Tier 1 allocation from BPA; consistent with terms of their RD contracts, they may purchase their “Tier 2” needs from non-federal sources. Details of integrating non-federal Tier 2 resources with Tier 1 purchases from BPA are yet to be worked out, he added.

Time was spent on the subject of General Transfer Service (GTA) issues and BPA’s South Idaho Exchange (SIE) agreement with PacifiCorp under which requirements load service is provided to BPA’s Pac-connected customers in southeast Idaho. Questions were raised about BPA’s proposed cost and megawatt caps on GTA service and how they might apply to future service to the new preference customer, the City of Weiser, Idaho. **Ralph Williams** stated that BPA needs to be indifferent to the source of a customer’s Tier 2 power. In that context, he said, BPA also needs to eliminate any GTA caps.

**Jo Fikstad of Idaho Falls Power** stated that BPA needs to offer an array of Tier 2 products. She also urged BPA to consider the Idaho Energy Authority’s (IDEA) recent proposal to utilize GTAs to integrate non-federal resources without a requirement to first “touch” the BPA main grid. She said the circumstance in southern Idaho, which is geographically and electrically islanded from the main grid, calls for special treatment for the area’s customers that are served by transfer over IOU systems and that lie in non-BPA control areas.

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There was additional discussion of RD topics the next day, on Aug. 25, centering mainly on GTA issues. Some customers called for BPA’s acceptance of the IDEA transfer service proposal (detailed in IDEA’s “white paper”). **Jim Webb** suggested that BPA resurrect what he termed “the old GTA customer group” to clarify what customers need in terms of transfer service and to explore in greater detail what BPA is proposing under the RD.

## Attendees

West Yellowstone, Mont. – Aug. 24-25, 2006

### City of Burley

Dile Monson – Electrical Superintendent

### East End Mutual Electric

Greer Copeland – Manager  
Stanley Buckley – Board Member  
Victor Forgeon – Board President

### Fall River Rural Electric

Dee M. Reynolds – General Mgr/CEO  
Clyde Seely – Board President  
Boyd Bowles – Board Vice President  
Chris Ricks – Board Sec/Treasurer  
Jay Hansen – Director  
Ron Fernelius – Director  
Sonja Cherry – Director  
Dick Smith – Director  
Ron Dye – Director  
Dan Skene - Director

### City of Heyburn

George Anderson – Mayor  
Deb Hopkins – Billing Clerk

### Idaho Falls Power

Jo Fikstad – Assistant Manager  
Van Ashton – Customer/Energy

### IDEA

Peter Richardson - Attorney

### Lost River Electric Cooperative

Richard Reynolds – Manager  
Randy Purser – Board President  
Susan Harris – Board Secretary  
Gary Lambson – Board Member  
Merlin Waddoups – Board Member  
Lynn Rothwell – Board Member  
Steven Aikele – Board Member

### Lower Valley Energy

Jim Webb – President/CEO  
Fred Brog – Board Sec/Treasurer

### Raft River Rural Electric

Jim Powers – General Manager  
Heber Carpenter – Finance Admin Mgr  
Ron Sorensen – President

Tom Geary – Vice President

Larry Monroe – Director  
Krinn McCoy – Director  
Gary Jones – Director

### City of Rupert

Steve Eckles – Electric Dept Head  
Bob Richardson – Substation Tech  
Robert Christenson – City Councilman

### Salmon River Electric Cooperative

Ken Dizes – General Manager  
Bob Boren – Board Member  
Jim Dungan – Board Member  
Sherman Dalsgaard – Board Member  
Norman Wallace – Board Member

### City of Soda Springs

Lee Godfrey – City Manager

### South Side Electric

Sheila Hubsmith – Manager

### United Electric Co-op

Ralph Williams – General Manager  
Ron Osterhout – Board Member

### City of Weiser

Nate Marvin – City Superintendent

### Wells Rural Electric

Kerry Robinson – Manager Marketing &  
Customer Service

### Fall River, Lost River, Raft River

Ray Rigby – Attorney

### BPA

Hobson, Claire  
King, Larry  
Pyrch, John  
Thompson, Garry  
Wilson, Scott