

## Comments on BPA's Long-Term Regional Dialogue Policy Proposal December 2006

- **General.** This proposal represents an important milestone for all parties to prepare for meeting future electric loads in the region. Timely resolution is paramount as we are already within the planning horizon for regional power providers and planners. While we have concerns over some of the specific proposals, the policy contains helpful direction in clarifying roles and responsibilities for future power supply. BPA should move quickly to pin down an outline of the policy that reflects customer comment, then work to define the specifics of product design, rate methodology, and contract terms in subsequent proceedings. Specific concerns are below:
- **Transmission Issues.** To preserve current transmission rights, customers with existing Network Integration Transmission (NT) contracts should not have to wait in line merely because of these new power contracts. Similarly, non-federal Tier 2 resources and federal Tier 2 resources should compete fairly in the future; they should have equivalent access to the transmission system so that federal Tier 2 is not advantaged over non-federal power. This is consistent with existing federal statutes and FERC guidance against discriminatory transmission practices. BPA should initiate a forum to address these important transmission issues as soon as possible.
- **Transfer Service.** The region needs a power system with many players and diversity of generation locations and fuel sources. The underlying premise that should be contained in this section is that if a preference utility can get a non-federal resource to the edge of the third-party system which serves its load -- General Transfer Agreement (GTA) or Open Access Transmission Tariff (OATT) -- then BPA will pay such GTA or OATT costs to move this resource to that utility's load. Specific limitations on this are discussed in our detailed comments.
- **Pooling.** Pooling is a way for small utilities to acquire and operate resources that they could not acquire or operate on their own. As part of the Regional Dialogue, BPA should promote pooling as a means of enabling many utilities to serve their own load growth needs. If utilities are to be part of a Joint Operating Entity, BPA should allow the combining of individual high water marks (HWMs) for subsequent planning and operations on a pooled basis. This should include determination of net requirements for Tier 1 service, declaration of any Tier 2 amounts, within-rate-period operation of any product, resource planning, and power sales contracts.
- **Products.** While some level of detail on how contracts, rates, and products might work is useful, the final document should contain high level principles regarding products and avoid going into detail about specific products. Viable Partial requirements and Slice products are keys to creating a diverse set of options that spread risk and allow resource integration.

- **Products- Slice.** This product has worked well. Proposals by BPA to limit the usefulness of the Slice product should be struck from the final draft. While minor adjustments may be reasonable, the product should not be arbitrarily limited in volume or in capacity. Flexibility should be provided on a basis comparable to that BPA's Power Business Line has to meet non-Slice load and to market surplus power.
- **Separation of Tier 1 and Tier 2.** It is important that strong safeguards be inserted into the method of separating Tier 1 costs from those of Tier 2. The success of the Regional Dialogue Policy depends on a clear and transparent separation of costs, which is not currently reflected in BPA's Draft Proposal.
- **Fallback position.** There are many complex issues included in the Regional Dialogue Policy. We are committed to resolving disagreements if at all possible. But, in the instance that some controversies are not resolvable, the hard won agreements reached within public power with respect to "service to publics" nevertheless should be incorporated into the final policy.
- **Direct Service Industries (DSIs).** We have great concern for the impacts that a subsidy to DSIs has on ratepayers in our service territory. BPA has no statutory obligation to provide this service and should discontinue service to these entities. Recent reports on the economics clearly show that the per-job subsidy amounts in proposals described in the Regional Dialogue are beyond reason. Moreover, job growth in non-DSI industries is likely to be harmed by continuation of the subsidy. Long-term costs to regional employment outweigh any perceived benefit to the DSIs.
- **Benefits to Investor-owned Utility Customers (IOUs).** Recent levels of federal system benefits provided in settlements with the IOUs have been higher than historical levels and not in line with results expected under the law and under the 7(b)(2) rate test that mandated that preference customers not suffer from creation of the residential exchange. We are hopeful that a new settlement can be reached that will provide stability for the region, but that will be sensitive to the rate and economic impacts this has on the many customers of consumer-owned utilities.
- **General Sustainability—Cost Control and Dispute Resolution.** Formalizing customer groups to review all agency capital and expense costs is a useful step. This idea could be made stronger if BPA would commit to issuing a formal record of decision on matters considered in that process. On a related topic, long-term contracts need to have some timely methods for resolving disputes in an objective manner. BPA should work with its customers to further develop effective, fair, and efficient dispute resolution methods that provided needed certainty for BPA's business partners and their Boards, lenders and other affected parties.