



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

July 19, 2007

In reply refer to: A-7

To Parties Interested in the Long-Term Regional Dialogue

Today we are releasing the Long-Term Regional Dialogue Policy and Record of Decision (ROD). This Policy responds to and benefited from hundreds of comments we received.

The Policy advances key national and regional goals, preparing the way for post-2011 BPA power sales contracts. The Policy focuses primarily on the products and services that will be available to public utility customers through long-term contracts. Such contracts will provide Northwest utilities with greater certainty to prepare for their future energy needs while preserving the economic benefits of the Federal Columbia River Power System and assuring BPA's ability to meet its Treasury obligations. Through these documents, BPA also is adopting policies that will facilitate conservation and renewable power development in partnership with its public utility customers. The Policy promotes regional resource adequacy, advances transparency in BPA decision making, and makes unprecedented commitments to cost management and dispute resolution.

While there is still much work to be done, this is a significant step in what has already been a long and productive process.

While BPA is addressing many difficult issues in the Policy, most of the conclusions are designed to provide guidance to upcoming specific forums necessary to implement new contracts. Some of the decisions are preliminary and provide guidance to the rate-setting process. Others will become final when contracts are offered. Three decisions affecting New Large Single Loads and Transfer Service that have immediate implications are adopted in this ROD.

As a result of the May 3, 2007, rulings by the Ninth Circuit Court of Appeals, the Policy does not contain a decision on the level of benefits to be provided to residential and small-farm consumers of investor-owned utilities (IOUs). Nonetheless, BPA remains committed to assuring the residential and small-farm consumers of IOUs receive a fair share of the benefits from the Federal system over the long term.

On August 1, BPA will hold an initial public meeting to outline the process we propose to take to move toward a resolution concerning how we provide the region with Residential Exchange Program benefits that are both equitable and consistent with law.

A final decision on support to direct-service industries (DSIs) is not included in the Policy because we are still working to identify a solution that provides reasonable support without unduly impacting other customers. Discussions with DSIs also were delayed, due to the Ninth Circuit decision.

As we take stock of the May 3 rulings by the Ninth Circuit Court, BPA will work to resolve these outstanding issues so that we can align in time our offering of post-2011 contracts to our preference customers, IOUs and DSI customers in 2008.

BPA also intends to look broadly at long-term financial policy issues in a financial plan update, including the need for and sources of capital, BPA's overall debt structure, the appropriate Treasury Payment Probability standard for rate-setting, and the best uses of high net secondary revenues when they occur. BPA intends to complete this financial plan update before the end of fiscal year 2008. This will allow the Policy to be updated before the deadline for signing new long-term power sales contracts. BPA will provide opportunities for public involvement on all of these issues.

The goal of signing contracts in December 2008 is daunting, but we think it is achievable, and we are committed to concluding this process next year. The Long-Term Regional Dialogue Policy benefited greatly from regional stakeholder input, and staying on schedule will require continued substantial effort by BPA and regional stakeholders. We are committed to doing everything we can to meet the aggressive schedule. We ask for your help in meeting the schedule and, as a result, securing these critical benefits for the region and the country.

Copies of the Policy and ROD also are available on the BPA Web site at <http://www.bpa.gov/power/pl/regionaldialogue/announcements.shtml>. A separate National Environment Policy Act ROD can also be found on the BPA Web site.

BPA will hold a question and answer session on July 31 and, if needed, August 1 for all interested parties on the content of the Policy. The question and answer session will be held from 9 a.m. to 4 p.m. in the BPA Rates Hearing Room. To participate by phone, please call Dolena Fernandez at (503) 230-4297.

If you have any questions or would like additional information, please contact your Power Account Executive, Constituent Account Executive, or Tribal Account Executive. You can call us toll free at (800) 622-4519.

Sincerely,

/s/ Stephen J. Wright

Stephen J. Wright
Administrator & CEO

Enclosures:
Regional Dialogue Implementation Schedule
Regional Dialogue Fact Sheet