

# Long-Term Regional Dialogue Policy Proposal

## Public Meeting Handout

### August 2006



# Regional Dialogue Process to Date

- Proposal reflects much regional consensus on many issues, achieved through years of regional effort.
- Proposal is consistent with Council Plan, and mostly consistent with April Public Power Council proposal.
- But a few differences remain.
- BPA proposal is our best shot at resolving the remaining issues.
- We are still open to new ideas during the comment period, in the interest of regional agreement. But time is getting short.



# Regional Dialogue Policy Proposal Goals

1. **Lowest Costs and Tier 1 Rates;**
2. **Durability/Stability/Contract Enforceability;**
3. **Customer/Regional Support and Equity;**
4. **Certainty of Obligations for All Parties;**
5. **Promote Infrastructure Development – avoid repeat of Power Crisis**
6. **Consistency with BPA Stewardship Obligations;**
7. **Legality;**
8. **Simplicity; and,**
9. **Advance National Objectives.**



# Major Components of the BPA Proposal

## **New 20-year Contracts**

- Signed by April 2008
- Go into effect October 2011

## **Tiered Rates**

- Tier 1 limited to existing system plus up to 300 aMW of augmentation (plus any augmentation for new publics)
- Total federal system, with augmentation, not to exceed 7,400 MW
- Tier 1 priced at cost of existing system
- Tier 2 priced at cost of new BPA purchases and acquisitions

## **High Water Marks (HWMs)**

- Each public gets 20-year HWM based on 2010 net requirement
- For loads over HWMs, publics can buy from BPA at Tier 2 rates or acquire their own resources



# Major Components of the BPA Proposal (cont.)

## Slice

- Proposal based on multi-month, multi-party review of experience to date
- Future sales hinge on resolution of Slice litigation
- Small increase in amount of Slice sold – 22% to 25%
- Some reduction in operating flexibility

## New Publics

- Up to 50 aMW per rate period, 250 aMW total
- BPA augments to serve them

## IOU Residential Exchange

- \$250 million/year proposed, adjusted up or down as BPA rates and IOU system costs change
- This is roughly in the middle of historic actual exchange benefits, and in the range of our best estimates of future benefits



# Major Components of the BPA Proposal (cont.)

## DSIs

- A range of alternatives is described, with no preferred alternative:
  - o No Service, or
  - o Continue 2007-2011 benefits, or
  - o 560 aMW of power deliveries
- Council-managed study of DSI economic impacts is on-going
- A separate regional meeting on DSI service is planned

## Conservation and Renewables

- BPA commitment to ensure development of our share of cost-effective MW, per Council Plan
- Meet this commitment at least cost to BPA
- HWM credit for conservation achieved



# Major Components of the BPA Proposal (cont.)

## Cost Control

- New Regional Cost Review process proposed that will combine the Power Function Review, Programs in Review and Capital Planning Review
- Goes beyond past BPA cost review process, but does not give literal “control” to other parties

## Dispute Resolution

- No “one-size-fits-all” solution
- Proposal lays out legal limitations and options



# Fallback Proposal

- If Region cannot reach consensus on IOU benefits and other issues, BPA implements the Fallback proposal.
- The Fallback proposal would meet most goals, but omit features that make rates higher, delay certainty, and create exposure to legal challenges, including:
  - **Settlements of residential exchange benefits**
  - **True-ups of high water marks in 2010**
  - **Augmentation of the existing system**
  - **Changes in the treatment of shares of the Centralia Coal Plant**
  - **Resource removal rights for load loss during a rate period**
  - **Special provisions for new public customers**





# Schedule

- Policy Proposal Released: July 2006
- Public Comment and Consensus Building: July – September 2006
- Final Policy and Record of Decision Published: January 2007
- Long-Term Tiered Rates Methodology Developed: February – October 2007
- New Contracts Signed: April 2008
- Energy Deliveries Begin: October 2011



# Wrap-up

- 2-month public comment period is now open
- Schedule provides only about three years of lead time for new resource development before 2012, so we need to move forward.
- BPA plans to push hard for regional consensus.

