



## Department of Energy

Bonneville Power Administration  
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POWER BUSINESS LINE

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In reply refer to: P-6

To our Customers, Constituents, Tribes and Other Stakeholders:

As most of you know, in February 2005 BPA set a policy direction to limit its power sales at the lowest cost-based rate to roughly the output of the existing Federal power system. (For more on this February decision see BPA's Regional Dialogue website at: [www.bpa.gov/power/regionaldialogue](http://www.bpa.gov/power/regionaldialogue).) New long-term contracts and rates will be needed to fully implement this policy direction. Our goal is to have those new contracts and rates ready to go into effect as early as October 2008 or no later than October 2011. However, the key policy decisions listed below must be made before those contracts and rates can be put in place. Making those decisions with ample input from customers and other stakeholders is the purpose of the second phase of the Regional Dialogue.

BPA is working on this second phase of Regional Dialogue, with the goal of releasing a policy proposal for public review and comment in July 2005. A 90-day public comment period, including region-wide public meetings will follow. BPA expects to release a final policy and record of decision by January 2006.

### **Opportunities for Input to the Proposal**

In order to develop a policy proposal that reflects the region's interests, BPA has been meeting frequently over the last 6 months with groups of customers, public interest groups, tribes and other parties. BPA will continue to meet with these parties and is open to meeting with others who wish to provide input to us before we issue the policy proposal. BPA has set a deadline of June 13, 2005, for interested parties to send specific proposals to us as to what our proposal should contain.

### **June 8 Workshop**

We have also scheduled a workshop on Wednesday, June 8, from 9 a.m. to 4 p.m., in the BPA Rates Hearing Room, located at 911 NE. 11<sup>th</sup> Avenue. This workshop will be an opportunity for all interested parties in the region to share their points of view on what should go into BPA's proposal. More information on this workshop will be posted to BPA's Regional Dialogue web site by June 1, 2005.

### **Regional Dialogue Policy Issues**

The issues BPA plans to address in its policy proposal include the following:

- **Service to public utilities:**
  - How much power each public utility is able to purchase at BPA's lowest cost-based rates and how this amount should be adjusted as utility loads and resources change.
  - How to provide customers with more stability and predictability about their rates by establishing a long-term rates methodology.
  - What ability newly formed public utilities will have to purchase power at the lowest cost-based rates.
  - Whether BPA should make modifications to the Full and Partial Requirements, Block and Slice products now provided.
- **Benefits to residential and small-farm consumers of investor-owned utilities:** How the Residential Exchange provisions of the Northwest Power Act will be implemented to provide benefits from the Federal system to residential and small-farm consumers of investor-owned utilities? BPA's objective is to ensure these benefits are both equitable and consistent with the law. A key decision to be made is whether to continue providing these benefits through a financial formula, such as the one now in effect through FY 2011, or to return to the traditional residential exchange program as it was implemented before 1997.
- **Service to direct-service industries:** What benefits, and over what time period, should be offered to the DSIs after FY 2011?
- **Resource adequacy standards:** Whether BPA should add a provision to its long-term contracts that requires customers to comply with resource adequacy standards. The Council is currently leading an effort to develop a resource adequacy standard for the region.
- **Cost controls and dispute resolution:** How customers can have assurance that the costs they pay are as low as they can reasonably be, taking into account cost-effectiveness and sound business principles. What mechanisms will be used for resolution of disputes that arise between BPA and customers?
- **Conservation and renewables:** What long-term approach to conservation best maintains BPA's commitment to ensure the development of all cost-effective conservation in the load it serves at the lowest possible cost and rate impacts, consistent with the Northwest Power and Conservation Council's plan? Likewise, how will renewable resource development be supported?
- **Transfer Service:** Outstanding issues identified in BPA's December 2004 record of decision regarding transfer service costs need to be resolved.

Two issues still pending from the short-term Regional Dialogue will also be closed out soon. The decision on post-2006 DSI service will be issued in a supplemental record of decision. In addition, the comment period on the post-2006 conservation program closed on April 28 and

final decisions will be released in mid-June. Updated information on these two issues and the continuing long-term process will be posted on BPA's Regional Dialogue website at: [www.bpa.gov/power/regionaldialogue](http://www.bpa.gov/power/regionaldialogue).

I encourage your active participation to make sure that your views are heard and considered. I look forward to productive regional discussions over the coming months. For further information on the Regional Dialogue process, please contact your Power Business Line Customer Account Executive, your Constituent Account Executive, Helen Goodwin, Regional Dialogue project manager at (503) 230-3129, or me at (503) 230-5399.

Sincerely,

/s/ Paul E. Norman

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Power Business Line