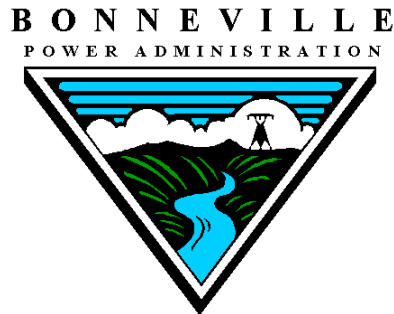


Bonneville Power Administration Long-Term Regional Dialogue Policy Choices

June 8, 2005





Objectives for Today's Workshop

- Discussion among regional interests on Regional Dialogue issues
- Input to BPA's policy proposal.



Background

- A refresher: Why are we doing this?
 - Infrastructure development
 - Limit BPA and utility costs and risks
 - Long-term certainty for utilities, customers, and Treasury
- Regional consensus on the major issues: We're not there yet. So,
 - Delay BPA's proposal until consensus emerges?
 - Or move forward?
- BPA direction:
 - Don't wait for consensus - a BPA proposal may help move the regional debate.
 - But be clear that the proposal is very draft



Regional Dialogue Scope

- BPA's Regional Dialogue is intended to provide the region clarity about future BPA power supply issues.
- Regional Dialogue is divided into two parts:
 - Near-term (FY 2007-2011 issues that must be resolved before BPA's current power rates expire in FY 2006) and BPA's long-term load serving obligation. Most near-term issues concluded in February 2005 when the BPA Administrator signed the near-term policy and record of decision. Decisions on service to the DSIs and conservation are forthcoming.
 - Long-term (post-FY 2011 issues that must be resolved to set the stage for new long-term contracts and rates). This part began in earnest in January 2005. A policy proposal is expected in late July 2005.



Limiting BPA's Long-Term Load Service Obligation

Long-Term Policy Direction Established in ROD on February 2005:

- Limit BPA sales of firm power at the lowest cost-based rates in an amount approximately equal to the firm capability of the existing Federal system.
- Additional service at a higher tiered rate.
- Implemented through a combination of new long-term contracts and rates, as early as October 2008 but no later than October 2011.



Service to Public Utilities

Long-Term Policy Choices:

- 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 over time?
- How to provide customers with more stability and predictability about their rates?
- 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?



Service to Residential and Small Farm Consumers of Investor-Owned Utilities (IOUs)

Long-Term Policy Choices:

- How to provide Residential Exchange benefits that are both equitable and consistent with the law.
- Through a financial formula based on settlement, or return to the traditional residential exchange program?

Service to Direct Service Industries (DSIs)

Long-Term Policy Choices:

- What benefits should be offered to the DSIs after FY 2011 and over what time period?



Resource Adequacy Standards

Long-Term Policy Choices:

- Whether to include any requirement to meet regional adequacy standards in new BPA power contracts.

Cost Controls and Dispute Resolution

Long-Term Policy Choices:

- 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 Renewable Resources

Long-Term Policy Choices:

- What long-term approach to conservation ensures the development of all cost-effective conservation in the load BPA serves at the lowest possible cost and rate impacts?
- How will renewable resource development be supported?

Transfer Service

Long-Term Policy Choices:

- BPA does not plan to address GTA issues in the July policy proposal.
- BPA understands the importance of non-Federal deliveries using GTAs and intends to address this issue separately from this proposal.



Regional Dialogue Policy

Long-Term Schedule

Milestone:	Date:
Informational Workshop on Long-Term Regional Dialogue Policy Proposal	June 8, 2005
Deadline for Submitting Proposals for Consideration	June 13, 2005
BPA Administrator Issues Long-Term Regional Dialogue Policy Proposal for Public Review and Comment	July 2005
BPA Administrator Decision and Adoption of Long-Term Regional Dialogue Policy	January 2006
New Contracts Negotiated and Offered	December 2006
Contract Signature Deadline	April 2007
Complete Establishment of Long-Term Rate Methodology and new Rates to Accompany New Contracts	October 2008
Earliest Planned Contract Effective Date	October 2008