

REGIONAL DIALOGUE CLARIFICATION SESSION QUESTIONS

Updated 9/22/05

#	Date	Requestor/ Affiliation	Question
1	9/19/05	Bill Drummond WMG&T	Why does BPA think that an allocation based on megawatts is a superior allocation system compared to a percentage of the system approach?
2	9/19/05	Jeff Carr NRU	How will Net Requirements determinations be done for Full Service customers in that the Net Requirements calculations were not performed for them as part of the FY2002 Subscription contracts?
3	09/19/05	Bill Drummond WMG&T Bob Crump Kootenai Electric	Why is Bonneville seemingly against pooling and why does the agency believe that allowing pooling would be administratively burdensome and lead to regional conflict, as stated in the Concept Paper?
4	9/19/05	Ed Hansen Snohomish PUD	Why limit the new contracts to 20 years? In that long-term resource decisions require greater than 20-year commitments, having a longer-term contract (longer than 20 years) would be beneficial.
5	9/19/05	Steve Eldrige Umatilla	What issues is BPA willing to "move on" (negotiate) vs. which issues are more or less set in stone for BPA (i.e., which issues would BPA have great difficulty adopting, or refuse to adopt, even if a "regional consensus" were achieved)?
6	9/19/05	Mike Dotten Alcoa	Why does BPA think it makes sense to meet load by dropping load (i.e., DSI load)? Given that it will "always be cheaper" to drop load than serve it, it seems that there should be some other compelling reason.
7	09/19/05	Ann Marie Claire Trans Alta	What "infrastructure development" is BPA talking about - generating or transmission or both?
8	09/19/05	Terry Mundorf WPAG	Why does BPA decrement a utility for conservation (= a resource, under the Act) but not for building generation? There seems to be inequitable treatment of the two when under the Act they should be considered equivalent.
9	09/19/05	Steve Eldrige Umatilla	How is it that BPA has a role in NLSLs if the agency goes to tiered rates?
10	09/20/05	Terry Mundorf WPAG	On page 4, under the schedule it appears that the Long Term Contracts are signed in 08/07, while the rate methodology is not finalized until 10/08. However, page 21 indicates that customers signing the new contract will "waive" the right to challenge the rate methodology. This leads to the question of whether BPA intends to ask customers to waive the right to challenge a rate methodology at contract signing when the rate methodology is not yet finalized?
11	09/20/05	Terry Mundorf WPAG	On page 12, BPA proposes a regional process to establish a transparent net requirement determination process. Does BPA intend to conduct this process before the new contract is offered for execution? Does BPA intend to include this net requirement determination process into the new long-term contract?
12	09/20/05	Terry Mundorf WPAG	On page 13, BPA suggests that customers will not have the right during the term of the contract to add resources to reduce their tier 1 purchases. Will customers be able to elect to purchase less than their HWM and/or their initial net requirement when they sign the long-term contract?
13	09/20/05	Terry Mundorf WPAG	On page 14, BPA suggests that new publics would be offered a HWM contract if existing publics are not purchasing their entire HWM entitlement. This implies that those existing publics would see their entitlement to Tier 1 power

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			reduced to serve a new public if they are not purchasing their entire HWM entitlement. On page 15, it is suggested that if the sum of HWMs (including new publics) exceeds the FBS, then all entitlements would be proportionately reduced. What is the deal regarding new publics, HWM contracts, and sale of "excess" HWM power?
14	09/20/05	Terry Mundorf WPAG	Page 29, <i>et seq.</i> , how does BPA intend to insulate the proposed IOU financial benefits from the operation of the section 7(b)(2) rate test?
15	09/20/05	Terry Mundorf WPAG	Starting on page 37, the conservation proposal is confusing. If the rationale for the acquisition by BPA of conservation resources is the expected need for Tier 2 power, why are the costs allocated to tier 1?. If the rationale for BPA acquiring conservation is to extent the time in which the existing system is sufficient to meet public utility loads, does this mean that excess power created by conservation will be sold to other public utilities at embedded cost?
16	09/20/05	Terry Mundorf WPAG	Is it correct that generating resources developed and used to serve retail load, but not declared in the BPA long-term contract, will not reduce the net requirement of the utility that developed the generating resource?
17	09/20/05	Steve Weiss NWECC	Please go over how your conservation programs interact with a utility's HWM. Is there decrementing? This can get complicated depending on net requirements, whether a utility is in Tier 2, etc., so I'm sure there will be lots of questions. Perhaps you could lay out some examples.
18	09/20/05	Steve Weiss NWECC	Also, if there is decrementing, will BPA be reselling the MWs to Tier 2 customers? Or to the market? If to Tier 2, at cost? Does the money go to reducing tier 1 costs?
19	09/20/05	Steve Weiss NWECC	Please expand on the renewables ideas, they're fairly vague as far as setting funding levels. Is this something BPA has definite ideas about or is this just being tossed to the group with no direction?
20	09/20/05	Fred Rettenmund Inland Power	The sequence of contract signing, long-term rate methodology, and product definition, including tier 2 products, needs to be addressed.
21	09/20/05	Fred Rettenmund Inland	Prepare a consolidated listing of all the "to do's" noted in the CP. There is a fairly long list of items like "run a regional process to establish a transparent and consistent methodology for determining new net requirements" (p. 12), "modification to the current 5(b)/9(c) policy" (p.13), "rules yet-to-be-developed on the resource shape" for non federal resources (p.13), "separate 7(i) process to establish tiered rates methodology" (p.21), etc etc. etc
22	09/21/05	Geoff Carr NRU	This discussion of the treatment of new publics is very unclear, compare the following statements. Please explain how new public customers will be treated. "BPA is also proposing to adopt the PPC's customer-specific modifications to the FY 2002 levels. Additionally, just as with the PPC "allocation" proposal, if the total of these FY 2002 amounts are less than the firm power produced by the existing Federal system, each individual HWM would increase proportionately up to the firm power capability of the existing Federal system. The HWM amounts would be established in long-term contracts and a tiered rates methodology. <u>The only reason that a customer's HWM could change over the contract period would be due to changes in a customer's service area through annexation or similar actions.</u> " (page 9) <u>Emphasis added.</u>

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			<p>and</p> <p>Therefore, BPA proposes that a new public customer be offered a HWM contract if existing customers with HWMs are not purchasing all of the lowest-cost-based FBS power available. The new public customer would have the same access to the Residential Exchange Program as an existing public customer. BPA also proposes that substantial notice periods be established before any new publics begin taking deliveries of Tier 1 power to give both BPA and existing customers time to adjust rates and financial and operating plans to reflect the new load. (page 14)</p> <p>and</p> <p>Adding new HWMs makes it possible that loads eligible for Tier 1 rates could grow beyond the existing Federal system. If this were to occur, all customers with HWMs would see power deliveries at the Tier 1 price proportionally reduced. (page 15)</p>
23	09/21/05	Geoff Carr NRU	HWM cannot be pooled, each customer holds on to its own HWM. (page 11) Does this mean that current Slice customers who pool their loads and resources will be prohibited from doing so in the future? How does pooling "work against the goal of regional conflict reduction and simplification?"
24	09/21/05	Geoff Carr NRU	The PPC proposal used the concept of percentage shares of the output of the FBS as the metric for the HWM due to concerns regarding potential changes in the size of the FBS and the potential for manipulation of the system. The aMW approach in the concept paper essentially dismisses these issues. Why is the aMW approach superior?
25	09/21/05	Geoff Carr NRU	Note that the requirements customers never had net requirements determination done in 2000 and 2001 for 2002 through 2006. Additionally, these load forecasts were not vetted with the customers and have serious accuracy problems. The PPC allocation was done based upon the full requirements customer class load on BPA in 2002 (plus customer specific changes). Why is the PPC proposal not acceptable? What would the 2002 allocations for the full and partial requirements customers be based on?
26	09/21/05	Geoff Carr NRU	In light of the issue described in question 4, the PPC proposal provided that allocations for the full requirements customers (from the pool of power allocated to the requirements customer class) be based on a net requirement determination done for each customer prior the contract signing. Why is this approach inferior to the BPA proposal?
27	09/21/05	Geoff Carr NRU	In the section III Service to Public Utilities, "BPA proposes that the cost-basis for our products would be roughly the same for all public customers." The cost basis should not be roughly the same, the cost basis should be the same, certainly for Tier 1, Tier 2, and load following products. Why isn't the cost of the 7300 aMW of Tier 1 power the same to each customer on a kWh basis? Tier 2 and load following would be optional and would be priced on actual BPA cost.
28	09/21/05	Geoff Carr NRU	BPA says it must reserve the right to allocate costs to Tier 1 in the event Tier 2 revenue recovery is insufficient (page 22). This appears to be at odds with Tier 1 costs only recovering the costs of the existing system.

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29	09/21/05	Geoff Carr NRU	Full requirements customers will have to pay both the incremental costs of load shaping (shaping the resource to the load) and load variance (the costs of meeting actual load as oppose to forecasted load) (page 24). Will this be more expensive than the current approach (balancing power purchases in the revenue requirement and the load variance charge)?
30	09/21/05	Geoff Carr NRU	What does the phrase "reasonable opportunity cost of service based adjustment for shaping services" on page 24 mean? Will shaping services be an opportunity-cost or a cost-of-service based product?
31	09/21/05	Geoff Carr NRU	The contracts will go 20 years from the date of signing, not necessarily October 1, 2011 (unless you choose to sign on that day). BPA plans to offer contracts for signing in August of 2007. This is going to set up a tension, especially since the rate methodology for these new rates will be done in 2008. Customers will be signing contracts before the rates are known. Can we better align the timing of contracts and rates? Can we actually get 20-year contracts?
32	09/21/05	Geoff Carr NRU	Does the Tier 2 Long-Term Market option include the potential for acquiring the output of generating resources in addition to market purchases given the liquidity in the long-term market?
33	09/21/05	Geoff Carr NRU	The Goals section 3 on page 2 of the paper states "proposes new 20 year take or pay contracts that would ensure a revenue stream to cover BPA's financial obligations to Treasury even if BPA's costs again exceed market prices." Will customers be required to pay for their HWM regardless of their net requirements or their actual load? How will a take or pay work?
34	09/21/05	Geoff Carr NRU	How will BPA manage risk post 2011? Will BPA include a CRAC provision for Tier1 and /or Tier 2 rates in the new 20-year contracts?
35	09/21/05	Geoff Carr NRU	For the Tier 2 product, will customers opting for Tier 2 face a take or pay for a contract amount of power?
36	09/21/05	Leann Bleakney NPCC	At the September 19 Regional Dialogue meeting, BPA indicated that not all issues are open for discussion and negotiation among participants. To facilitate the process, BPA should identify what issues in the draft paper are not negotiable.
37	09/21/05	Leann Bleakney NPCC	In the draft paper where BPA has identified its suggestions as being a matter of "legal choice," citations and/or legal analysis should be provided. For example, BPA expresses doubt it can include as a contract condition a requirement of conservation activities by customer utilities but that it may be able to include as a contract condition resource adequacy standards. Authority for both positions should be provided. Other issue areas that would benefit from legal clarification include: the irrigation rate mitigation product; financial benefits to DSIs; and settlement of residential exchange rights for the IOUs and COUs.
38	09/21/05	Leann Bleakney NPCC	Has BPA considered alternatives to a Tier 2 rate pool such as bilateral contracts with customers requesting incremental service, where costs and risks are directly assigned to the buyer? (We assume that customers could aggregate their buying needs, and that most if not all of the non-price commercial terms of bilateral contracts could be standardized.)
39	09/21/05	Leann Bleakney	A broader discussion of the function of the high water mark (HWM) would be helpful. For example, once the FBS is

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		NPCC	fully utilized by the HWMs of existing customers, can new COUs be precluded from acquiring FBS resources? Can a new COU be precluded from requesting Residential Exchange benefits for its residential and small farm load? If a new COU can receive full Residential Exchange benefits, wouldn't the entire cost of those benefits fall into the Tier 1 rate pool? If a new COU is provided FBS supply because aggregate COU HWMs aren't fully utilized, what happens as those existing COUs grow into their HWMs?
40	09/21/05	Leann Bleakney NPCC	BPA notes that IOU exchange benefits are not assignable "if another entity takes over the distribution system of an IOU." Does this statement remain true if the entity taking over the IOU service area is not a COU?
41	09/21/05	Leann Bleakney NPCC	What stakeholders will be able to participate in the proposed Cost Management Groups?
42	09/21/05	Leann Bleakney NPCC	If an existing FBS resource is lost or substantially derated, will replacement resources be acquired? If so, would this resource, and its costs, be considered a Tier 1 resource or would the Tier 1 pool be reduced on a pro rata basis? The converse of these questions could be asked if there were enhancements to the FBS resources.