

**Bonneville Power Administration
Regional Dialogue Technical Group
Summary of October 4, 2005 Meeting**

Discussion of Service to Publics continued. Issues discussed included:

1. Agreements (herein after called “Proposed Resolutions”) for Oct. 3, 2005 (See Below)
2. Resource Removal Rights
3. Calculation of the Federal Base System
4. What is the nature of BPA’s contractual commitment to the rate methodology and what are the circumstances under which uncollected tier 2 costs could be included in tier 1 rates? (see Agenda for Oct. 3, 2005)
5. Group High Water Mark for Load Following Customers
6. Schedule Revisions

BPA presented for discussion potential agreements that had been discussed the day before. These agreements are under further review and editing and will in the future be titled “Proposed Resolutions.”

See below for the following handouts distributed at the meeting:

- Handout of Oct. 3, 2005 agreements
- Handout on proposed pricing construct
- Handout on process for determining the amount of the Federal Base System

BPA Oct. 4, 2005 handout of agreements (now called proposed resolutions) reached on Oct.3

Agreement 1

BPA will provide a proportional increase in deliveries available with a High Water Mark if the FBS increases, comparably to how BPA has proposed to treat a decrease in FBS capability. Such increases will be provided proportionally based on each utility's High Water Mark.

Agreement 2

The total amount of power available for High Water Marks for current load following customers will be equal to the load following customer's forecast net requirements from BPA's 2002 Rate Case. BPA will redistribute this amount among the same group of customer in proportion to each customer's net requirement calculation performed at the time of contract offer.

Exception: By providing notice to BPA prior to XX/XX/06 a partial service load following customer may opt out of the being treated the same as the other load following customers and instead take a HWM based solely on a net requirements calculation done for their load at the time of contract offer (or their 2002 Net Requirement if such number was calculated and included in their Subscription Contract.)

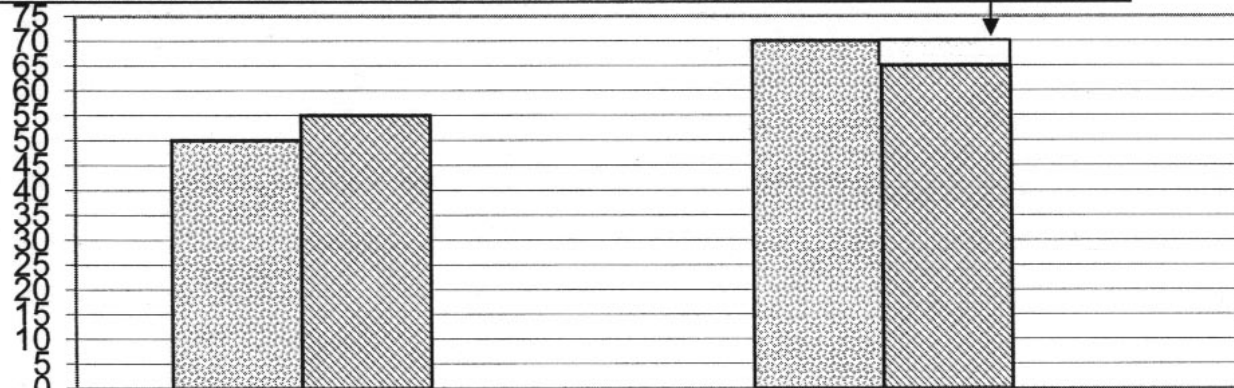
Each customer may use their High Water Mark to purchase their choice of the available products for their new Regional Dialogue Contract.

Handout from Geoff Carr (NRU) on Oct. 4, 2005 outlining a proposed pricing construct

Full Service Pool, Utility A and B: What Happens when A is long and B is Short?

If actual output of the pool's allocated FBS > load, then BPA sell power to Utility B at incremental cost rate with credit back to the pool. Utility A grows into its allocation at the embedded cost rate. Both the embedded and incremental cost rates are monthly, LLH and HLH. Note that Utility A is relieved of its take-or-pay obligation for allocation > load. This is the PPC proposal. However, Full service customers would like the option of providing load growth service at the embedded cost rate as long as the pool is surplus.

aMW



	A	B
■ Load	50	70
■ Allocated Resource <i>HWM</i>	55	65
□ Incremental Resource	0	5

Oct. 4, 2005 handout from Jon Hirsch (BPA) on process for determining the amount of the Federal Base System

Regional Dialogue Draft

Process for Determining the Amount of the Federal Base System Available for Serving PNW Public Agencies

The Federal Base System resources process for the future Regional Dialogue. The FBS estimate incorporates all known Federal system resources and contract purchases, less other signed contract obligations (not including PSCs). There may be other contract adjustments, such as the WNP-3 Settlement Return.

BPA publishes 2 documents that show the Federal system load resource balance. These documents are the Rate Case and the White Book. Both have similar Federal system resources stack, contract purchases, and contract obligations. Components of the FBS could include the following:

- Federal system resources and contract purchases include the following:
 - All Federal regulated and independent hydro resources under critical water conditions;
 - Renewable resources that includes the Georgia Pacific's Wauna;
 - Large Thermal generation from Columbia Generating Station;
 - Several Non-Utility Generation projects;
 - Imports that include BPA's contract purchases from outside the PNW;
 - Intra-Regional Transfers (In) that include BPA's PNW regional contract purchases; and
 - Reductions to the resource stack to account for Federal transmission losses.

Please note that the published White Book estimates are presented in operating year (OY) format. Rate Case or Regional Dialogue FBS analyses are reported in FY format and will not exactly match published White Book numbers.

- Other contract obligations are reductions to the Federal system resources. These include the following:
 - USBR obligations;
 - Exports that include the Canadian Entitlement Return to Canada; and
 - Intra-Regional Transfers (Out) that include BPA's PNW regional contract obligations.
- Other contract adjustments includes the following:
 - Removal of the WNP-3 Settlement return contracts from AVWP and PSE. The WNP-3 Settlement returns are shown as Federal resources under the terms of the agreements. The expected returns from these contracts total about 84 aMW to the Federal system resource stack. In actual operation, the likelihood of energy deliveries under these contracts is very small.