

**Bonneville Power Administration
Regional Dialogue Technical Group
Summary of October 18, 2005 Meeting**

The meeting began with a review of the draft agenda and other materials to be used at the Oct. 20, 2005 Principals Management Group meeting. Participants reviewed the proposed resolutions to date, the list of interests and agreed to the presentation format. Edits were suggested and it was agreed that the group would revisit the changes at the Oct. 19 meeting prior to the Principals meeting.

The group resumed discussion from the Oct. 12 meeting regarding the timing of new contracts and the rate methodology. The group agreed to consider this an “Outstanding Issue.”

The group resumed discussion from a previous meeting regarding the timing of new contracts and the rate methodology. The group agreed to consider this an “Outstanding Issue.”

The discussion then moved to Cost Control. Kim Leathley (BPA, Manager Financial Management, Rates and Planning) led this discussion to clarify what impacts BPA’s costs and what is currently proposed in the BPA Concept Paper. The group explored different alternatives to cost controls. Several alternatives were suggested for further review: BPA program level costs in the rate case, BPA program level costs go to binding arbitration, BPA program level costs are mediated by the NW Congressional delegation, and as an alternative, customers could remove up to 15% per rate period if rates exceeded “benchmark” rate for the contract period.

See below for the following handouts distributed at the meeting:

- Draft agenda for principals management group meeting
[Note: This handout is the same as the one posted on BPA's web site as a separate PDF file October 17, 2005.]

- Interests Lists & Proposed Resolutions
[Note: This handout was originally posted on BPA's web site as a Word document on October 18, 2005. It was later converted to PDF without any changes to the content of the document.]

- Grouping Construct
[Note: This handout was originally posted on BPA's web site as a PowerPoint document on October 18, 2005. It was later converted to PDF without any changes to the content of the document.]



Draft Meeting Agenda
Regional Dialogue Principals Management Group Meeting
October 20, 2005
BPA Rates Hearing Room
911 NE 11th Ave., Portland, OR
9:00 a.m. – 4:00 p.m.
To participate by phone, please call (503) 230-4983

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|----------------------|--|
| 9:00 – 9:15 | Confirm Agenda/Make Adjustments |
| 9:15 – 10:15 | Review List of Interests |
| 10:15 – 10:30 | Break |
| 10:30 – 12:00 | Proposed Resolutions & Outstanding Issues* <ul style="list-style-type: none">♦ Service to Publics |
| 12:00 – 1:00 | Lunch |
| 1:00 – 3:00 | Proposed Resolutions & Outstanding Issues* <ul style="list-style-type: none">♦ Contract Elements♦ Service to the DSIs♦ Cost Controls♦ Dispute Resolution |
| 3:00 – 3:15 | Break |
| 3:15 – 4:00 | Guidance to the Technical Team/Next Steps |
| 4:00 | Set Next Meeting Date/Time & Adjourn |

**The goal for this agenda item is to review and provide direction on proposed resolutions.*

Title of document: **Interests Lists & Proposed Resolutions**

Author / Submitter (Organization): **Helen Goodwin (BPA)**

Date document created or revised: **October 18, 2005**

For meeting on (date): **October 18, 2005**

LIST OF INTERESTS

1. Complexity/Simplicity
2. Durability/Stability
3. Legality
4. Lowest Tier 1 Costs/Rates
5. Customer/Regional Support
6. Salability in D.C.
7. Certainty of Obligations
8. Promote infrastructure development consistent with the Act
9. The region sees decisions as equitable

PROPOSED RESOLUTIONS & OUTSTANDING ISSUES

SERVICE TO PUBLICS: PROPOSED RESOLUTIONS

Proposed Resolution #1

Issue 1: % or aMW: allocation methodology

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.

Proposed Resolution #2

Issue 3: Determination of Individual HWMs for Load Following Customers

The total amount of power available for High Water Marks for current load following customers will be equal to the sum of the load following customers' forecast FY2002 net requirements determined in BPA's WP-02 Rate Case using BPA's Load Study 3 as further adjusted upwards by specific adjustments in the PPC proposal. BPA will redistribute this total amount of power among this same group of customers in proportion to each customer's net requirements calculation (done for, e.g. 2009 or 2010) performed at the time of contract offer. These redistributed amounts of power will be the HWM for each individual load following customer.

Exception: By providing notice to BPA prior to XX/XX/06 a partial service load following customer may opt out of being treated the same as the other load following customers and instead take a HWM based solely on a FY2002 net requirements calculation determined from BPA's WP-02 Rate Case using BPA Load Study 3, as further adjusted upwards by specific adjustments in the PPC proposal.

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

Proposed Resolution #3

Issue 3: Where is the FBS capability used to determine the size of customers' allocations determined?

(Rate or contract issue)

The Regional Dialogue contracts will set forth the FBS resources, and their firm capability, that will be used to establish the initial HWMs. The Regional Dialogue contracts will also set forth the source of information and the process that will be used to periodically adjust those resource capabilities.

Proposed Resolution #4

Issue 4: Resource Removal Right

BPA agrees to provide a limited resource removal right allowing a customer to remove generating and contractual resources for a period of one year in response to retail load loss. The amount of resource removal is limited to the lesser of (5)(15)% of the customer's total retail load or the amount that the customer's forecasted total retail load for the next Contract Year is less than the forecasted total retail load used to establish the initial net requirement for FY 2012 (FY 2010) in the customer's regional dialogue power sales contract.

Proposed Resolution #5

Proposed Resolution - Grouping for Load Following

There is currently an expectation that the net requirements for customers that choose load following products will be less than the total of their individual High Water Marks in 2012, providing an amount of unused headroom. Until the total of the net requirements for this group exceeds the total of their individual HWMs no load following customer will face a Tier 2 rate. In the year BPA projects that the groups total net requirement will exceed their total HWM amounts (calculation to be done in a rate case applying to that year), each customer will revert to their individual HWM and its associated rate consequences for the remainder of their contract.

NOTE: BPA's participation in this resolution is premised on this only applying to load following customers and having all of these customers considered a part of this group due to concerns about the complexity of having more than one group.

SERVICE TO THE PUBLICS: OUTSTANDING ISSUES

- ◆ Resource removal
- ◆ Assignment of revenues from surplus sales
- ◆ Timing of net requirements determinations/timing of 9(c) determinations

CONTRACT ELEMENTS: PROPOSED RESOLUTIONS

Proposed Resolution #6

Proposed Resolution: Timing of Regional Dialogue Contracts

BPA's proposal will be modified to have power service for all new contracts and supporting rates begin in October 2011. The target date for signing new contracts (effective date) will remain August 2007.

Proposed Resolution #7

Proposed Resolution: Clarify Contracting End Date

BPA's proposed schedule will be clarified to include the ending date of 20-year contracts: September 2026, assuming contracts are executed in August 2007 and we are not able to find a way to maximize actual service to 20 years.

CONTRACT ELEMENTS: OUTSTANDING ISSUES

- ◆ Sequencing of BPA's offer of contracts and development of long-term tiered rate methodology
- ◆ Timing of BPA's offer of contracts

SERVICE TO THE DSIs: PROPOSED RESOLUTIONS

None to date

SERVICE TO THE DSIs: OUTSTANDING ISSUES

Power deliveries vs. Monetary Benefit

COST CONTROLS: PROPOSED RESOLUTIONS

To be added after 10/18 & 10/19 Technical Group Meeting

COST CONTROLS: OUTSTANDING ISSUES

To be added after 10/18 & 10/19 Technical Group Meeting

DISPUTE RESOLUTION: PROPOSED RESOLUTIONS

To be added after 10/18 & 10/19 Technical Group Meeting

DISPUTE RESOLUTION: OUTSTANDING ISSUES

To be added after 10/18 & 10/19 Technical Group Meeting

Title of document: **Grouping Construct**

Author / Submitter (Organization): **Geoff Carr (NRU)**

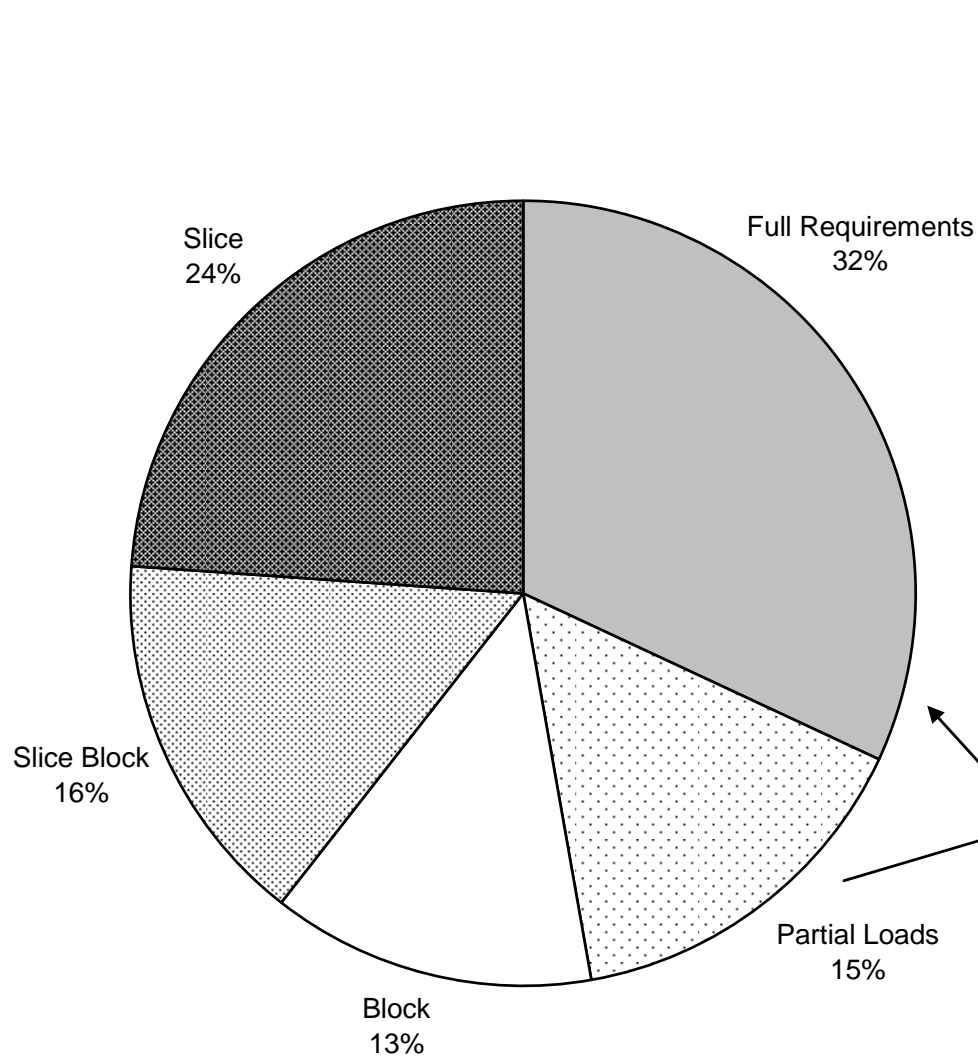
Date document created or revised: **October 17, 2005**

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Final PPC Allocation Percentages

Customer Group	Allocation Calculation Loads (aMW)	Annual Allocation % (of FBS)
Full Requirements	2,163	31.9%
Partial Loads	1,040	15.3%
Block	905	13.3%
Slice Block	1,064	15.7%
Slice	1,617	23.8%
total	6,789	100.0%

FBS HWM Allocation Percentages based on PPC Proposal



Block, Slice, Slice Block, Full and Partial Service classes received an FBS HWM allocation % based on 2002 net requirements.

Block, Slice block and Slice customers then got an individual HWM allocation.

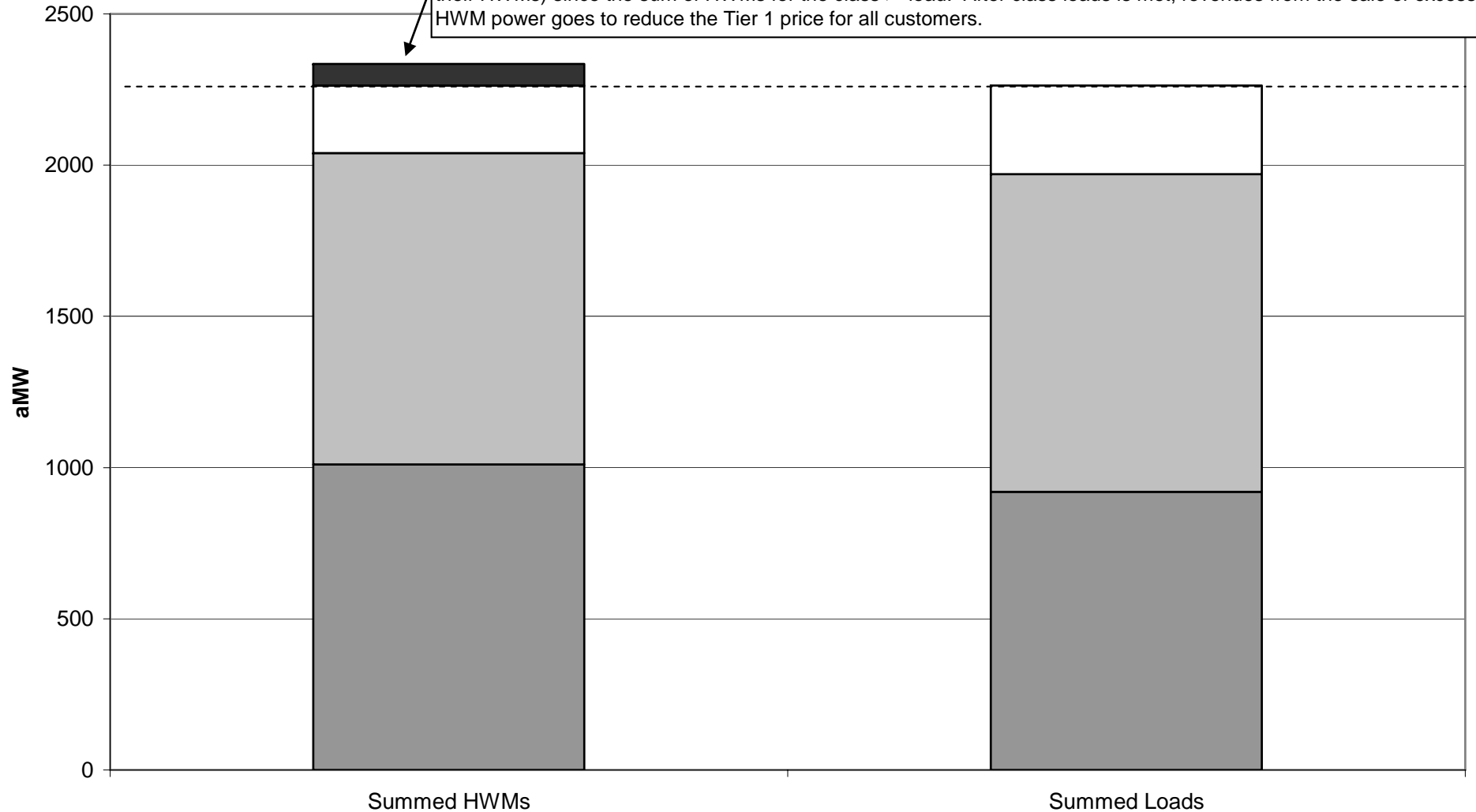
HWM allocation to Full Service Class is based on total class 2002 load (as adjusted).

Full service customers FBS HWM % for each utility will be done in future (e.g. 2009) based on forecasted net requirements for each utility.

Note that a number of Partial customers will move from Partial to full service and bring their total HWM allocation %'s with them to the full service pool for future sub-allocation with full service.

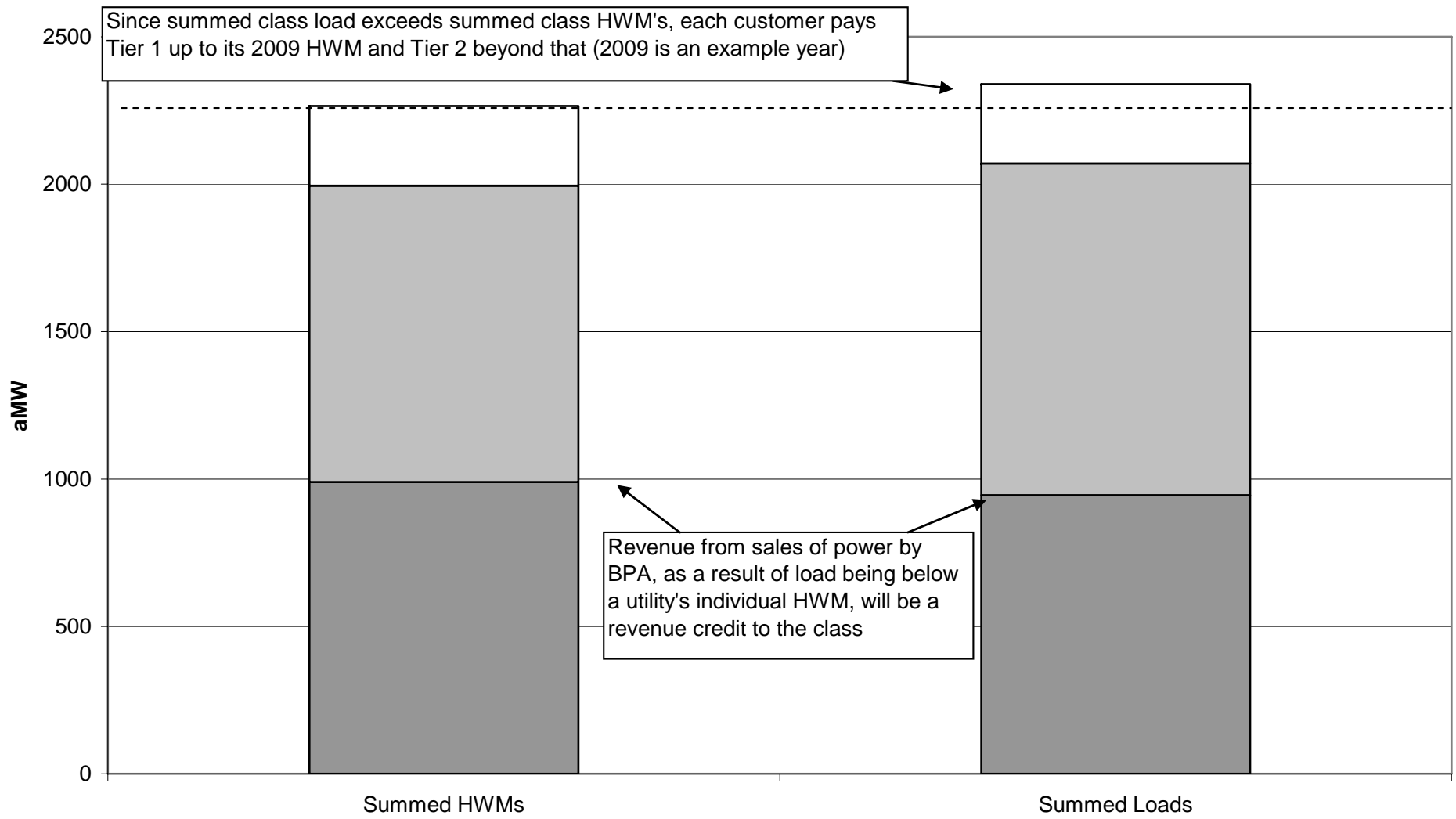
**Grouping, Load Following Class Summed HWM's exceeds Class Load
Three Customer Example Representing Entire Class Load**

Headroom is available to total class of load following customers at Tier 1 (whether or not they are individually above their HWMs) since the sum of HWMs for the class > load. After class loads is met, revenues from the sale of excess HWM power goes to reduce the Tier 1 price for all customers.



Year 1 Forecast Outcome

**Grouping, Load Following Class Summed Class Load exceeds Summed HWMs
Three Customer Example Representing Entire Class Load**



Y1 plus x years, triggering point is a BPA rate case