

**Bonneville Power Administration
Regional Dialogue Technical Group
Summary of October 27, 2005 Meeting**

The meeting began with adjustments to the schedule for the Oct. 28 meeting.

The group then reviewed changes to the Interests List & Proposed Resolutions. The group agreed to hold the amendment to Resolution #2 (regarding conservation) until the meeting scheduled for that discussion (November 22nd).

Kimberly Leathley (BPA, Manager PBL Financial Management, Rates and Planning) then lead a discussion on cost control and related the options in the Concept Paper to the list of agreed upon interests. The group reviewed the matrix of additional cost control process options provided by Leathley, including five possible enhancements to the BPA Concept Paper, and began discussing the formation of a single cost management group, including potential structure and decision-making processes. In the afternoon, the group reviewed and edited a summary, written by Leathley, of the morning discussion. A sub-team was tasked with determining the appropriate structure and make up for a cost management group. This sub-team will present its proposal at the Thursday, Nov. 3 meeting.

See below for the following handouts distributed at the meeting:

- Interests Lists and Proposed Resolutions
[Note: This handout was originally posted on BPA's web site as a Word document on October 27, 2005. It was later converted to PDF without any changes to the content of the document.]
- Matrix of Additional Cost Control Process Options
[Note: This handout was originally posted on BPA's web site as a Word document on October 27, 2005. It was later converted to PDF without any changes to the content of the document.]
- Kim Leathley's summary of the 10-27-05 morning session on Cost Controls
[Note: This handout was originally posted on BPA's web site as a Word document on October 27, 2005. It was later converted to PDF without any changes to the content of the document.]
- Categories for Dispute Resolution
[Note: This handout was originally posted on BPA's web site as a Word document on October 27, 2005. It was later converted to PDF without any changes to the content of the document.]

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

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

Date document created or revised: **October 27, 2005**

For meeting on (date): **October 27, 2005**

LIST OF INTERESTS

1. Complexity/Simplicity
2. Durability/Stability/[Contract Enforceability](#)
3. Legality
4. Lowest Tier 1 Costs/Rates
5. Customer/Regional Support
6. Salability in D.C.
7. Certainty of obligations [for all parties](#)
8. Promote infrastructure development consistent with the Act
9. The region sees decisions as equitable
10. [Consistency with BPA stewardship obligations](#)

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 2: 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. [To ensure there is not a disincentive for conservation for this group of customers, HWMs will be adjusted to account for each utility's conservation achievements between FY02 and the year the redistribution occurs.](#) 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 class of 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
- ◆ Resource Declaration
- ◆ 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.

Proposed Resolution #8

Proposed Resolution: Starting Point for Standard Contracts

The provisions of the existing Subscription contracts will be used as the "starting point" for drafting standard Regional Dialogue contracts. That is, we will not draft Regional Dialogue contracts from "a blank sheet of paper." BPA will propose changes as needed to ensure the contracts reflect the Regional Dialogue Policy/ROD, changes in products, or improved business practices.

CONTRACT ELEMENTS: OUTSTANDING ISSUES

Outstanding Issue: Timing of Long-Term Rate Methodology

BPA recognizes the customers' interest in knowing the future rate methodology prior to signing contracts. BPA will look for ways to accommodate this while maintaining the current contract signing schedule (August 2007).

SERVICE TO THE DSIs: PROPOSED RESOLUTIONS

None to date

SERVICE TO THE DSIs: OUTSTANDING ISSUES

Power deliveries vs. Monetary Benefit

COST CONTROLS: PROPOSED RESOLUTIONS

None to date

COST CONTROLS: OUTSTANDING ISSUES

Contract Off-Ramps

Non-Binding Arbitration

Mediation by the Northwest Delegation

DISPUTE RESOLUTION: PROPOSED RESOLUTIONS

To be added after 10/27 Technical Group Meeting

DISPUTE RESOLUTION: OUTSTANDING ISSUES

To be added after 10/27 Technical Group Meeting

Title of Document: **Matrix of Additional Cost Control Process Options**

Author / Submitter (Organization): **Kim Leathley (BPA)**

Date document created or revised: **October 27, 2005**

For meeting on (date): **October 27, 2005**

This matrix displays the current concept proposal juxtaposed against three additional enhancements to the CMG for deciding costs when agreement cannot be reached between BPA and Customers. It is organized to more easily compare the following features of each enhancement:

Interest	BPA Concept Proposal: Cost Management Group(s) & Contract Off Ramp & Ongoing Transparency	Enhancement A – Concept Paper & costs in rate case if agreement not reached w/CMG(s)	Enhancement B – Concept Paper & costs go to non– binding arbitration if agreement not reached w/CMG(s)	Enhancement C – Concept Paper & costs are mediated by NW Congressional delegation if agreement not reached w/CMG(s)	Enhancement D – Concept Paper & Customers could remove up to 15% per rate period if rates exceeded “benchmark” rate for the contract period
1. Complexity/Simplicity	— Adds complexity & workload to existing transparency efforts	– Adds complexity and workload in rates process	—	—	—
2. Durability/Stability/Contract Enforceability	+ Would be memorialized in policy and become the standard process for managing costs and involving the region. – BPA commitment is not in contract	– Long, unpredictable decision process + Enhanced BPA accountability	– Long, unpredictable decision process + Enhanced BPA accountability	– Long, unpredictable decision process + Enhanced BPA accountability	– Long, unpredictable decision process + Enhanced BPA accountability
3. Legality	+ Within current legal framework	– Potential Constitutional Issue – 9th Circuit now can decide budget issues taken to rate case	+ So long as Administrator’s authority to decide is not impaired	+ So long as Administrator’s authority to decide is not impaired	
4. Lowest Tier 1 Costs/Rates	+ More political accountability for cost control – New avenue for increased spending	+ More political accountability for cost control – New avenue for increased spending	+ More political accountability for cost control – New avenue for increased spending	+ More political accountability for cost control – New avenue for increased spending	– Could raise rates for everyone
5. Customer/Regional Support	+ Consensus on costs is still the primary goal	+ Consensus still primary goal with contested costs only becoming part of rate case	+ Consensus still primary goal with contested costs only going to non-binding arbitration	+ Consensus still primary goal with contested costs only going to mediation	+ Some customers advocate for this – Constituent groups would likely oppose this
6. Salability in D.C.	O	– Probable concern over constitutional issue	– Administration concern	– Administration concern	– Probably D.O.A. because hurts TPP and/or raises rates for remaining load
7. Certainty of Load Obligations for BPA & Customers	– 15%	– 15%	– 15%	– 15%	– 85%

Title of Document: **Matrix of Additional Cost Control Process Options**

Author / Submitter (Organization): **Kim Leathley (BPA)**

Date document created or revised: **October 27, 2005**

For meeting on (date): **October 27, 2005**

Interest	BPA Concept Proposal: Cost Management Group(s) & Contract Off Ramp & Ongoing Transparency	Enhancement A – Concept Paper & costs in rate case if agreement not reached w/CMG(s)	Enhancement B – Concept Paper & costs go to non- binding arbitration if agreement not reached w/CMG(s)	Enhancement C – Concept Paper & costs are mediated by NW Congressional delegation if agreement not reached w/CMG(s)	Enhancement D – Concept Paper & Customers could remove up to 15% per rate period if rates exceeded “benchmark” rate for the contract period
8. Promote Infrastructure development consistent with the Act	O	– May delay needed investments due to process time.	– May delay needed investments due to process time.	– May delay needed investments due to process time.	
9. Regional sees decisions as equitable	+	++	++	++	–
10. Consistency with BPA Stewardship Obligations	+	+	+	+	– Likely not consistent with stewardship obligations it harms public purpose spending.

Title of document: Kim Leathley's summary of the 10-27-05 morning session on Cost Controls
(not agreed to or reviewed by anyone)

Author / Submitter (Organization): **Kim Leathley (BPA)**

Date document created or revised: **October 27, 2005**

For meeting on (date): **October 27, 2005**

Things I heard that the Regional Dialogue Technical Group can generally agree to related to Cost Controls:

1. Customers & other interested stakeholders will form a single Cost Management Group (CMG).
2. The composition of the CMG will be broadly representative of the breadth & diverse customers and other stakeholder interests.
3. Within the CMG, "consensus" generally means broad support, not 100% support.
4. "Agreement" between the CMG & BPA generally describes the situation when the CMG has reached "consensus" (as defined above in #3) and BPA agree.
5. The scope of the CMG needs to be clearly defined prior to signing contracts. In the meantime, we think it generally covers costs that affect power rates, but does not include issues that are generally covered in other major forums such as rate cases (i.e., re-payment studies, risk-mitigation packages etc.) and issues that are day to day operational in nature.
6. A sub-committee of BPA, customers and other stakeholders will be formed from the Regional Dialogue Technical Group. They will be tasked to bring back a joint proposal that:
 - a. Keeps in the spirit of the high-level principles above
 - b. Defines what "broadly representative of the breadth & diverse customers and other stakeholder interests" means (in #2)
 - c. Defines what "broad support" means (in #3)

> Kim Leathley

Title of document: **Categories for Dispute Resolution**

Author / Submitter (Organization): **Terry Mundorf (Western Public Agencies Group)**

Date document created or revised: **October 25, 2005**

For meeting on (date): **October 27, 2005**

CATEGORIES FOR DISPUTE RESOLUTION

The following categories are suggested for considering what techniques are available to resolve disputes under the long-term Regional Dialogue contracts. These categories are suggested because different dispute resolution techniques are available depending on the nature of the dispute, and because these are the categories from which disputes are likely to arise.

1. Allocation provisions of the Regional Dialogue contracts. This category would include disputes arising from topics such as changes to the High Water Mark, net requirement determinations, and determinations regarding the capability of the Federal base system.
2. Rate methodology provisions. This category would include disputes arising from topics such as what costs are properly included in tier one, what costs are properly included in tier two, and when have the requirements for including tier two costs in tier one been satisfied.

Rate methodology revisions. Assuming that provision is made that permits revision of the rate methodology by other than mutually agreeable amendment, this category would include disputes arising from topics such as whether the requirements for changing the rate methodology have been satisfied.