

**Bonneville Power Administration
Regional Dialogue Technical Group
Summary of November 3, 2005 Meeting**

Geoff Carr (NRU) presented the work that the cost control sub-team put together following the Oct. 27 meeting. The sub-team prepared Administrative Guidelines for a Cost Management Group. The Guidelines described the proposed structure for the CMG, a proposed number of representatives from throughout the region, and options for how the CMG would operate.

The technical group attendees then began discussing the issues that this CMG would be able to address and what would become of any decisions made in this group. It was agreed that these were issues that would need to be further addressed, but that for now Carr would make edits to the Guidelines so they could be used as a proposed resolution.

Randy Roach (BPA) began to walk through preliminary options for Dispute Resolution. Roach described areas of uncertainty that could potentially create increased risk for BPA.

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 November 3, 2005. It was later converted to PDF without any changes to the content of the document.]
- Preliminary Dispute Resolution Draft—For Discussion Purposes Only
[Note: This handout was originally posted on BPA's web site as a Word document on November 3, 2005. It was later converted to PDF without any changes to the content of the document.]
- Cost Management Group (CMG) Administrative Guidelines
[Note: This handout was originally posted on BPA's web site as a Word document on November 3, 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: **November 3, 2005**

For meeting on (date): **November 3, 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

% 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

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
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
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
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
- ◆ How to ensure that the approach for setting HWMs does not create a disincentive for ongoing conservation activities.

CONTRACT ELEMENTS: PROPOSED RESOLUTIONS

Proposed Resolution #6
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
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
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
Proposed Resolution #9
Cost Controls**

1. Customers and other interested stakeholders will form a single Cost Management Group (CMG), which will be broadly representative of the breadth and diverse customers and other stakeholder interests.
2. The CMG will seek "consensus" which generally means broad support, not 100% support of the group.
3. Agreement between the CMG and BPA describes the situation when BPA agrees with the CMG "consensus".
4. The scope and structure of the CMG needs to be clearly defined prior to signing contracts. In the meantime, we think it generally includes cost levels used for rate-setting, and major policy decisions that drive future costs and capital programs. The treatment of issues dealt with in other BPA processes (such as re-payment studies, risk-mitigation packages etc.) will be dealt with when the CMG proposal has been further developed and its details are better understood.
5. The Technical Group chartered a subcommittee of its members to further refine this proposed resolution and bring back a proposal November 3rd 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 #1)
 - c. Defines what "broad support" means (in #2)

COST CONTROLS: OUTSTANDING ISSUES

Contract Off-Ramps

Costs are in Rate Case if Agreement is not Reached w/CMG

Costs go to Non-Binding Arbitration if Agreement is not Reached w/CMG

Costs are Mediated by the Northwest Congressional Delegation if Agreement is Not Reached
w/CMG

Customers Could Remove Up to 15% Per Rate Period if Rates Exceeded “Benchmark” Rate for
the Contract Period

Customers Have Unlimited Removal Right Not to Exceed a Total of 15%

DISPUTE RESOLUTION: PROPOSED RESOLUTIONS

To be added after 11/3 – 11/4 Technical Group Meeting

DISPUTE RESOLUTION: OUTSTANDING ISSUES

To be added after 11/3 – 11/4 Technical Group Meeting

Title of document: **Very Preliminary Dispute Resolution Draft—For Discussion Purposes Only**

Author /Submitter (Organization): **Randy Roach (BPA)**

Date document created or revised: **November 2, 2005**

For meeting on (date): **November 3, 2005**

Draft—For Discussion Purposes Only

A--Construct

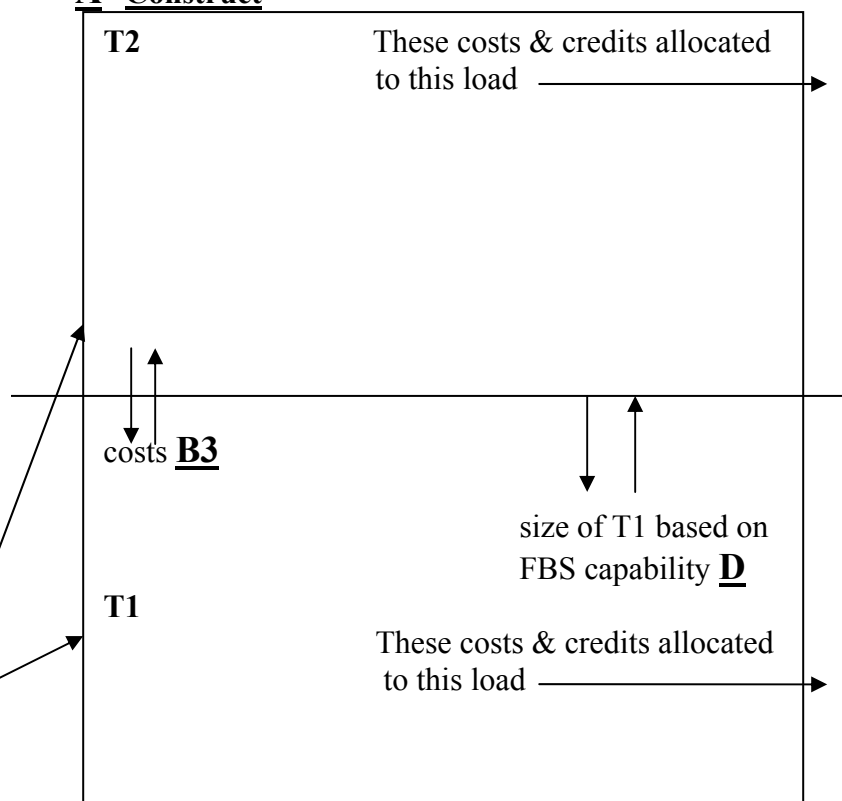
BASIC DIRECTIVES

(1) periodically review and revise rates to recover costs

(2) Rate or rates to preference customers

(3) Cost pools; 7(b)(2); 7(g)

C--Non-power, -conservation, -transmission, -generation cost (*i.e.*, unrelated tax)



B1—

Eligibility/Allocation

- lack of HWM
- T2 net req.

B2—

Eligibility/Allocation

- HWM
- T1net req.

In rate provisions, state the following (very imprecise right now) and that they will be included in contracts (limitations, not determinations, are contractual):

This overall construct, and identified elements of the construct, will not be changed (need to precisely define a “change”) except and solely to the extent

1) In the case of **A**, **B1**, **B2**, **B3** and **D**

- a) new legislation requires
- b) court orders (failure or refusal to change ruled unlawful)

2) Also, in the case of **A** and **B3**

- a) cost recovery requires: apply necessity test (specific factual determinations)—Admin. will base decision on HO determination & only override if after mini-trial tried directly to the Administrator (with aid of HO) Administrator determines the HO’s determination was unreasonable (parties should also address who pays)

3) In the case of **C**, new legislation requires

4) In the case of **D**, [some majority vote?]

Long-Term Regional Dialogue

Title of document: Cost Management Group (CMG) Administrative Guidelines

Author(s) / Submitter(s) (Organization): Geoff Carr (NRU), Marc Hellman (Oregon PUC), and Steve Weiss (NWECC)

Date document created or revised: November 1, 2005

For meeting on (date): November 3, 2005

COST MANAGEMENT GROUP ADMINISTRATIVE GUIDELINES

Draft November 1, 2005

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1. Purpose

The Cost Management Group (CMG) is organized to afford customers and constituents a continuous and long-standing framework for reviewing activities relating to the costs and policies of the Bonneville Power Administration. The CMG(s) would:

- Provide input to BPA on cost levels used for rate setting, major policy decisions that drive future costs, and the capital program;
- Review financial performance of the Agency; and
- Provide input to Corps, Bureau, Energy Northwest and other entities that manage costs in BPA's rates as well as BPA.

The CMG would not consider or review how BPA should treat any of its statutory customers.

The CMG will use an open meeting process and provide all interested parties the opportunity to participate and provide comments.

2. Structure.

- a. **Members.** The CMG will be comprised of 16 members reflecting the breadth and diversity of interests. Representatives will be self selected from within each of the respective groups. The groups are as follows:
 - i. 8 public utility representatives
 - ii. 2 investor owned utility representatives
 - iii. 2 Consumer Group Representatives
 - iv. 1 Tribes representative
 - v. 1 Council representative
 - vi. 1 State commissions representative
 - vii. 1 Public Interest Representative.
- b. **Election of Chair.** Each year the CMG will elect a chair from among the public utility members; the chair will rotate among the public utility members.
- c. **Meetings.** The CMG will meet as often as necessary and no less frequently than once every three months. The CMG meetings will be open to the public. Meetings will be noticed at least two weeks prior to the meeting date in order to facilitate public involvement.
- d. **Technical Analysis:** The CMG would provide its own staffing and technical support in addition to requesting information and studies from BPA.

3. Procedures for Administrative Decisions.

- a. **CMG Members.** The CMG members are self selected from within the groups of representation. Should a member no longer be able to participate, the group affiliation shall appoint a new member.
- b. **Quorum.** A Quorum exists if nine (9) or more CMG members are present. A Quorum is necessary for any CMG formal action to be considered.
- c. **Motions.** At any time a Quorum is present, any CMG member may propose a motion for consideration of the CMG. If the motion is seconded by any other CMG member, the motion shall be promptly considered as to whether consensus exists for the motion.
- d. **Consensus.** Option 1: A motion will have the consensus of the CMG as long as no more than two CMG members oppose the motion. [Option 2: An alternative proposal supported by one of the members of this workgroup is for consensus to require affirmation by 75 percent or more of those CMG members present.] However, requests for studies and information requires support from either nine (9) or more CMG members or five (5) public utility CMG members.
- e. **Amendments.** The CMG may approve, absent opposition from any member, changes to the Administrative Guidelines after providing a reasonable notice and comment period to all interested persons.