



# **Bonneville Power Administration Regional Dialogue FY 2007-2011 Policy Proposal**

**Public Meetings  
August - September 2004**



# **BPA Regional Dialogue Policy Proposal Scope**

- **The Regional Dialogue Policy proposal is intended to provide the region clarity around key, future BPA power supply issues when BPA's current power rates expire in FY 2006.**
- **Nearly all of BPA's subscription power sales contracts continue through FY 2011.**
- **The proposal is divided into two parts: the first focuses on near term (FY 2007-2011) issues; the second part deals with longer term (post 2011) issues.**
- **Issues covered in BPA's July 7 proposal are described briefly on the following pages.**
- **For additional information visit BPA's Regional Dialogue web site:  
<http://www.bpa.gov/power/pl/regionaldialogue/>**



# Regional Dialogue Policy Proposal

## FY 2007-2011 Issues

- **FY 2007-2011 Rights to Lowest-Cost PF Rate**
  - Most customers have contracts that guarantee them the lowest cost-based PF rate through 2011. We are affirming that this guarantee applies, even if tiered rates were instituted.
  
- **Tiered Rates**
  - Defer a tiered rates proposal until it can be explored as part of an integrated long-term contract and rate solution.
  
- **Term of the Next Rate Period**
  - Limit next rate period to either 2 or 3 years.
  - Comments are encouraged.



# Regional Dialogue Policy Proposal

## FY 2007-2011 Issues

- **Serve to Publics with Expiring 5-Year Purchase Commitments That Do Not Contain Lowest PF Guarantee Through 2011**
  - Offer contract amendment to extend existing purchase commitment, including the lowest PF rate guarantee through 2011, based on a recalculation of net requirements.
  - Open window for acceptance ends June 30, 2005.
  - May be subject to TAC or other applicable rate if customer chooses a new product or does not accept the offer.
  
- **Service to New Publics**
  - New publics that form, meet standards for service, and request service by June 30, 2005 receive BPA's lowest cost PF rate for the next 2- or 3-year rate period.
  - The long-term rate treatment of new publics will be addressed as part of long-term policy process.



# Regional Dialogue Policy Proposal

## FY 2007-2011 Issues

- **Service to Annexed IOU Loads**
  - BPA will continue to treat annexed IOU loads consistent with existing contract terms and conditions with its customers.
  - Any TAC charge will be proportionately offset by any applicable residential exchange benefit.
  
- **Product Availability**
  - No product switching.
  - Long-term products to be discussed as part of longer-term issues.
  
- **Service to DSIs**
  - Offer some support to DSIs who have performed under their existing contract, if it can have limited rate impact and very limited risk.
  - Preferred approach is a defined and limited financial incentive to operate.



# Regional Dialogue Policy Proposal

## FY 2007-2011 Issues

- **Service to New Large Single Loads (NLSL)**
  - Continue current NLSL policy regarding transfers of DSI service to local utilities in 9.9 aMW increments.
  - Adopt an exception for renewables and on-site cogeneration which would allow DSI loads to take a total of 9.9 aMW from a local utility at the PF rate if the rest of their load is served by renewables or on-site cogeneration.
  
- **Service to Residential and Small-Farm Consumers of Investor-Owned Utilities (IOUs)**
  - Resolved for the 2007-2011 period by the recent signing of IOU contract amendments.



# Regional Dialogue Policy Proposal

## FY 2007-2011 Issues

### ➤ Conservation Resources

- Principles to guide development of the specific elements of conservation consistent with the NPCC recommendations:
  - use of the Council's Plan to identify the Agency's share of cost-effective conservation.
  - the bulk of conservation to be achieved is best pursued and achieved at the local level.
  - to contribute to meeting the financial challenges facing the region, BPA will seek to meet its conservation goals at the lowest possible cost and lowest possible rate impacts.
  - BPA funding for local administrative support to plan and implement conservation programs has been essential. In the future, this support should be retained, with the appropriate level of funding open for discussion.
  - financial support for education, outreach, and low-income weatherization are important initiatives that complement a complete and effective conservation portfolio. However, these types of programs often yield no measurable savings or considerably more expensive energy savings. These programs efforts have been successful and should continue to be funded.



# Regional Dialogue Policy Proposal

## FY 2007-2011 Issues

- **Conservation Resources (continued)**
  - Need for significant detail to be developed before these principles can be transformed into a specific program structure that best serves the region.
  - BPA envisions some form of collaborative planning process in which experienced individuals can develop a fully defined proposal for conservation that can be brought to the region for consideration.
  - The joint planning process can accomplish the blending of appropriate policy guidance with the flexibility to ensure conservation can meet the huge variance of conditions and needs that exist in the region.





# Regional Dialogue Policy Proposal

## FY 2007-2011 Issues

### ➤ **Renewable Resources**

- Engage in an active and creative facilitation role regarding renewables.
- Facilitation options proposed include:
  - provide services that make it easier for developers and purchasers of renewable projects to integrate such resources to serve their load,
  - transmission system improvements,
  - continuation of a rate mechanism like the “R” in the C&RD,
  - a limited acquisition role such as temporary acquisition of output from a renewable project as an “anchor tenant”

### ➤ **Controlling Costs and Consulting with BPA’s Stakeholders**

- Continue to build on recent cost control initiatives (Sounding Board, Collaborative, etc.) to enhance transparency.
- Several new initiatives are proposed, including public consultation before making certain types of discretionary decisions with cost impacts.



# Regional Dialogue Policy Proposal

## Longer Term Issues

- **Limiting BPA's Long-Term Load Service Obligation**
  - Propose a long-term policy to limit BPA sales at the lowest cost based rates to close to the output of the existing system.
  - Service beyond the capability of the existing system will be at a higher tiered rate.
  - Implement through new long-term contracts and rates.
  - Customers can retain current contracts until 2011.
  
- **Proposed Schedule for Long-Term Issue Resolution**
  - New long-term contracts are necessary assuming we can reach agreement on reasonable terms.
  - BPA has proposed a schedule that is subject to change based on public comment.
  - After considering comment, BPA will establish a final schedule and make final decisions on that schedule if at all possible.
  - Schedule does not yet include rate decisions which are a key component.



# Regional Dialogue Policy Proposal

## Longer Term Issues Proposed Schedule

<b>Milestone:</b>	<b>Date:</b>
BPA Administrator Issues Long-Term Regional Dialogue Policy Proposal for Public Review and Comment	July 2005
BPA Administrator Signs Long-Term Regional Dialogue Policy	Jan. 2006
New Contracts Offered	Dec. 2006
Contract Signature Deadline	April 2007
Earliest Contract Effective Date	Oct. 2008



# Regional Dialogue Policy Proposal

## Longer Term Issues

### ➤ **Key Long-Term Issues:**

- Service to Public Utilities
- Allocation of Costs
- Products
- Benefits to Residential and Small Farm Customers of Investor Owned Utilities
- Service to Direct Service Industries
- Cost Controls and Dispute Resolution
- Conservation and Renewables
- Regional Resource Adequacy Standards
- Treasury Payment



# Regional Dialogue Policy Proposal

## Longer Term Issues

### ➤ Challenges

- Resolving issues and finding mutually acceptable solutions to very contentious issues will be difficult, especially while other decisions processes, such as Grid West, are running in parallel.
- Availability of necessary staff and management time will be tight for BPA, utilities and others.
- Other challenges we face are described in the July 7 policy proposal.



# Timeline for this Proposal

- **Policy proposal published on July 7, 2004**
  
- **Six public meetings (Mid August-Mid September) are scheduled:**
  - August 17 - Seattle, Washington
  - August 19 - Eugene, Oregon
  - August 26 - Spokane, Washington
  - August 31 - Boise, Idaho
  - September 9 - Portland, Oregon
  - September 15 - Kalispell, Montana
  
- **Public comment period ends on September 22, 2004**
  
- **Final policy decisions made by BPA in December 2004**