

REGIONAL DIALOGUE TECHNICAL WORKSHOP NOTES
Renewable Resource Issues
Tuesday afternoon, January 14, 2003
BPA Rates Hearing Room, Portland, Oregon

1. Greetings and Introductions.

BPA's Debra Malin welcomed everyone to today's workshop, led a round of introductions.

2. Status of the Bonneville Renewables Program.

Malin led a presentation titled "Status Report on Bonneville Power Administration Renewables Program" (attached). She began with a chart showing BPA's renewables portfolio (wind, solar and geothermal), now totaling 250 aMW. The group devoted a few minutes of discussion to this topic, focusing on which projects should and should not be on the list. Foote Creek IV was the subject of much debate due to the fact that BPA did not purchase the projects' attributes.

Moving on, Malin touched on the following major topic areas:

- Bonneville's renewables portfolio, by energization date
- BPA's Environmentally Preferred Power (EPP) customers over time (graph)
- EPP sales by state during the current rate period
- EPP composition over time
- Where does the money go?
- What do new renewables cost?
- BPA's 2003 resource mix (pie chart)
- The impact of a possible national renewable portfolio standard (RPS) on Bonneville's renewables portfolio – graph

The group offered a few clarifying questions and comments in the course of this presentation. One participant noted that, if BPA is required to augment the federal base system with renewables, that's probably a cost that will be passed along to all its customers. For those of us who are SLICE customers and still get a significant amount of our power from BPA, he said, where does that put us, in terms of buying renewables? That's one of the issues we wanted to talk about, said Fred Rettenmund – specifically, what the joint customer proposal really says about Bonneville's renewables acquisitions. The language in the proposal wasn't clear; we need a better understanding about whether or not, under that proposal, as Bonneville acquires new renewables, a portion of those renewables would automatically go to SLICE customers. There is language in the beginning of the proposal that talks about fixing the defined FBS plus "certain other resources;" Rettenmund said; however, it doesn't really describe what those other resources would be.

The question about the customer proposal revolves around whether or not BPA, or it's customers, is going to be required to develop renewables as part of the national mandate, said

Rosalie -- if so, that is a cost that will fall on all of BPA's customers. If that is the case, said Geoff Carr, the costs and the value would go into a separate pool -- if it's 30% SLICE, then 30% of the costs would go into the SLICE pool, along with 30% of the megawatts. On the other hand, said Scott Brattebo, this particular resource lends itself well to being purchased by and directly funded by the utility.

But would Bonneville meet its hypothetical responsibilities under the hypothetical Act if the utilities develop the resources? Angus Duncan asked -- I would guess probably not. It would depend on whether or not that resource would have been developed without Bonneville funding, said Brattebo.

It would probably be better not to go down that path, said Rettenmund -- let's just say we acquire 100 MW. The question is whether a portion of that 100 MW would automatically go to SLICE customers as a proportional share. There was considerable disagreement on this point; Tim Johnson observed that the Joint Customer Proposal specified minimal changes to the current SLICE contracts. The allocation they would like us to have is calculated from the Exhibit H definition of the Federal Base System. Today, if Bonneville were to acquire a renewable -- a public purpose resource for the purposes of the SLICE contract -- then they would receive a 22% increase in the total percentage of the system that goes to the SLICE customers. They have agreed in advance that that is what they're willing to pay for, as far as additions to today's FBS, Johnson said.

In the future, then, if the customers say they're going to be responsible for their own load growth, my assumption is that this provision of the SLICE contract would be amended to say the customers would not be responsible for cost sharing even on new renewables, Johnson said. If Bonneville, then, is going to serve some requirements customer load growth in the future, then there would be a pool that covers that cost, he said.

There was a few minutes of discussion on this point; ultimately, it was reiterated that, under the JCP, the customers would agree to place no additional load growth on Bonneville for the next 20 years, and would instead be responsible for meeting any additional load obligations they may have. They would not share the costs or the output of any new renewable resource Bonneville acquires.

Malin then moved on to Bonneville's future plans in the renewables arena. She noted first that, while the renewables budget will be dictated by BPA's financial health, Bonneville wants to remain a leader in the Northwest renewables market. In our view, she said, all of the utilities will also share in the responsibility to support the development of renewable resources.

Any ideas about how we can best incentivize you to do that? Malin asked. What if we don't do our share? Brattebo asked. We don't really have a hammer, Malin replied; we're looking for a carrot. The conservation and renewables discount could be a hammer, Brattebo observed. We would prefer a hammer, said Rachel Shimshak. Bonneville could impose a large surcharge -- that's the only hammer I see, said Brattebo. A mix of carrots and sticks would, in our view, be most workable, said Shimshak. The hammer could also take the form of a higher rate, Malin observed.

In response to a question Malin said BPA would like a level playing field and would prefer that its customers' obligations to meet the regional renewables target would also apply to the portion of the utility's load that is not BPA-supplied. We wanted to float the idea that there should be a level playing field, she explained – if BPA is obligated to build 10% renewables, everyone should share that requirement – otherwise, Bonneville's full requirements customers' rates will be higher than everyone else's.

Steve Weiss agreed that it's a fairness thing, but noted that it's also good for the region to diversify, get away from combustion turbines and create jobs. Our point is, why hand over the responsibility for load growth to the utilities, unless they agree to accept their share of the renewables target? Weiss said. If there's going to be a new 20-year contract, said Tim Johnson, it has to be really clear who is responsible for what. Brattebo articulates yet another impediment. In that case, said Angus Duncan, let's ask the joint customers to design the most graceful possible carrot to ensure that renewables continue to be acquired – hopefully, there will be enough flexibility in the system to allow even a utility that isn't necessarily experiencing load growth to still acquire renewable resources. One way to do that might be to increase, even double, the C&R discount, he added.

What is the utilities' position with respect to the proposal for the non-BPA-served portion of the load? Fred Rettenmund asked. I think it's probably "take a hike," Rosalie replied. It might be better to classify that as an unresolved issue, Duncan said.

With respect to next steps, said Weiss, I assume Bonneville will be drafting a proposal, and we'll have a chance to review and comment? Actually, we would prefer the other participants at this meeting to draft a proposal or proposals, and let us look at them, Malin replied. Of course, the big question is size, Weiss said – have you thought about the level at all, or are you waiting for the Council to set the target? We're bantering some numbers around internally, but we're not ready to share them at this time, Malin replied. In response to a question from Rosalie, Malin said BPA is leaning internally toward separate financial paths for conservation and renewables. Weiss and Duncan discussed ways to structure the C&R discount to incentivize partial requirement customers to acquire renewables for their non-BPA load growth. Weiss outlined one of the proposals: provide a discount only for the last portion of completed target. Weiss indicated that he would provide BPA with a written proposal for a C&R mechanism that would incentivize partial requirements customers to acquire renewables.

With that, the workshop was adjourned. Meeting summary was prepared by Jeff Kuechle, BPA contractor.