



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

POWER BUSINESS LINE

November 19, 2002

In reply refer to: PL-6

Agenda
Regional Dialogue Public Workshop
November 19, 2002
10:00 am until 3:00 pm
Rates Hearing Room, Portland, OR
To Participate by Phone please call 503-230-5566, followed by 6449#

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|---|---------------------------------|
| 1. Welcome and Introductions | Paul Norman |
| 2. Objectives and Principles of the Regional Dialogue | Paul Norman |
| 3. Ground Rules for Discussions | Fred Rettenmund |
| ***** LUNCH 12 noon until 1 pm ***** | |
| 4. Issues for this meeting | |
| a. Long term Contracts | Fred Rettenmund and Dale Latham |
| b. Meaningful and Enforceable Concept | Fred Rettenmund |
| c. BPA's Load Resource Balance for 2007 | Jon Hirsch |
| 5. Summary of Meeting and Next Steps | Fred Rettenmund |

BPA's Key Principles Regarding Substance for the Regional Dialogue

- Preserve or enhance long-term and diverse benefits of FCRPS for the region.
- Policies must be enduring under a range of political and economic conditions.
- There should be no additional risks for U.S. taxpayers/Treasury.
- Solutions or policy options should not require legislative changes.
- Provide clarity regarding BPA load obligations post-2006.

BPA's Key Principles Regarding Slice

In order to protect the interests of the region and all of BPA's customers, these general principles must be met.

A Proposal for selling a slice of the system must **NOT**:

1. Shift risk or costs to other Pacific Northwest ratepayers
2. Shift risk or costs to the taxpayer
3. Enable slice purchasers to avoid current or future costs of fish protection and enhancement
4. Interfere with BPA's system operating decisions
5. Require change in federal law

Settlement Objectives as Articulated in the Joint Customer Proposal

As stated in their October 31, 2002 version

1. To create a common interest between BPA's regional preference utility and investor owned utility customers by allocating to such customers equitable, secure and long-term benefits of the Federal base system (FBS).
2. To expose all BPA's customers to the same risks and benefits of changes to the costs and output of the FBS.
3. To reduce BPA's presence in the wholesale power market as a buyer and seller of power.
4. To enhance the ability of BPA to make its Treasury payments in full and on time across a broad range of possible futures.
5. To allocate the costs of procuring power for future load growth to the serving utility.
6. To reduce BPA's need to augment the FBS and its reliance on market revenues from the sale of secondary energy by shifting to utilities through expanded use of the Slice product the obligation to procure resources to serve their load growth and the marketing of secondary energy.
7. To settle outstanding litigation in a manner that is fair to all parties, and that avoids future litigation over the allocation of FBS benefits.
8. To implement the foregoing consistent with existing statutes, without federal legislation.

Principles stated in the Public Interest Proposal

Dated September 12, 2002

1. The FCRPS, and thus the Columbia and Snake rivers, must be run to achieve the legal responsibility of salmon recovery. Power generation from the FCRPS must be allocated to ensure that salmon responsibilities are met. Simply allocating power based on a “slice” or percentage of the federal system does not guarantee that even minimum salmon restoration measures will be achieved. The federal agencies responsible for salmon recovery in the Northwest are not currently meeting their responsibilities under federal laws and treaties. An Allocation Proposal that preserves the current state of salmon recovery is unacceptable.
2. Salmon requirements will change over time, as required by the Endangered Species Act, the Northwest Power Act, related laws, and tribal treaties. The Allocation Proposal must be structured in a manner that expressly acknowledges and accounts for these future changes.
3. The existing structures and mechanism that currently guide salmon recovery are not adequate to ensure that legal salmon restoration requirements are met. The Allocation Proposal must be accompanied by a structural change to the decision-making process for salmon recovery. Through this structural change, salmon must be given equal weight in deciding the strategies necessary to ensure the implementation of the two previous principles.
4. The allocation agreement must include an independent third party contract enforcement mechanism to ensure that salmon requirements are met. The scope of this enforcement should reflect the fact that contracts setting forth how power from the FCRPS is allocated can affect the implementation of salmon requirements.
5. The Allocation Proposal presents an opportunity to promote regional investments in energy conservation and non-hydro renewable resources. A diversified energy portfolio in the Northwest can help enhance and promote salmon recovery efforts by lessening the pressure on the Columbia and Snake rivers to generate energy. The Allocation Proposal must explicitly advance this goal by reducing the region’s reliance on hydroelectric power through increased investments in non-hydro renewables and conservation.

HANDOUT FOR THE DISCUSSION OF BPA'S LOAD and RESOURCE BALANCE FOR 2007

November 19, 2002

DRAFT: 10/2/2002							
BPA Estimated Resources and Public Loads							
Fiscal Year Annual Averages in aMW							
2001 White Book Final Analysis							
For Firm Resources and Other Obligations							
Energy in Megawatts	2002	2007	2008	2009	2010	2011	2012
Firm Resources 1/							
Regulated Hydro		6,265	6,271	6,273	6,273	6,273	6,273
Independent Hydro		406	406	406	406	406	406
Sustained Peaking Adjustment		0	0	0	0	0	0
Non-Fed CER (CSPE)		0	0	0	0	0	0
Non-Fed CER (Canada)		139	138	137	136	135	135
Small Thermal & Misc.		0	0	0	0	0	0
Combustion Turbines		0	0	0	0	0	0
Renewables	N/A	29	29	29	29	29	29
Cogeneration		0	0	0	0	0	0
Imports		216	194	183	181	174	174
Intra-Regional Transfers (In)		343	206	206	206	197	101
Supp & Entitlement Capacity (In)		0	0	0	0	0	0
Large Thermal		877	1,000	877	1,000	877	1,000
Non-Utility Generation		120	120	120	120	120	120
Resource Acquisition		0	0	0	0	0	0
Federal Transmission Losses		-237	-236	-232	-236	-232	-232
Hydro Improvements and Optimization							
1. Total Firm Resources		8,158	8,128	7,999	8,116	7,981	8,007
Other Obligations 3/							
USBR 2002 PSC Sale		148	148	148	148	148	148
Exports excluding BHEC and CMEC		620	612	601	598	595	595
Intra-Regional Transfers (Out)	N/A	303	303	303	303	294	198
Supp & Entitlement Capacity (Out)		0	0	0	0	0	0
CSPE To West Group Utilities		0	0	0	0	0	0
2. Total Other Obligations		1,070	1,063	1,052	1,049	1,037	941
3. Total Resources - Other Obligations	N/A	7,088	7,065	6,947	7,067	6,944	7,065
Public Contracts Assumed in Regional Dialogue 2/							
Full Service including BHEC and CMEC		2,056	2,267	2,279	2,265	2,296	2,326
Partial Service excluding FLHD Sleeve		1,028	1,117	1,127	1,140	1,151	1,162
Block Service		847	1,017	1,016	1,017	1,018	1,018
Slice Block		1,045	1,319	1,324	1,330	1,335	1,340
Slice Resource		1,631	1,578	1,607	1,580	1,608	1,608
4. Total Public Sales		6,607	7,299	7,352	7,333	7,408	7,426
Loads and Other Obligations 4/	N/A	-211	-288	-385	-341	-482	-429

Notes:

- 1/** Firm Resources based on 1937 critical water conditions under the 2000 BO implemented 2/1/2001 and up to 62 aMW of hydro improvements by FY 2012.
Resources do not include any balancing power purchases not already signed by BPA.
Non-Utility Generation includes the following wind projects: Foote Creek 1,2, and 4 (14 aMW); Stateline (30 aMW); Stateline (30 aMW); Condon (12 aMW); Nine Canyon (2 aMW); Klondike Phase 1 (8 aMW); Fourmile Hill Geothermal (50 aMW) and Ashland Solar (<.05 aMW).
Resources do not include additional renewable resources or power purchases signed after 10/1/2002.
- 2/** Public sales assumptions: The public sales are the September 30, 2002 projections for FY 2002-2012. FY 2002 sales are NOT reduced for 566 aMW of rate mitigation load reductions. Includes approximately 700 aMW of public obligations in Full Service and Slice Block that currently are not signed for FY 2007-2012.
- 3/** Other Obligations have been updated from White Book 2001 and does not include certain cancelled contracts
- 4/** Net is equal to Total Firm Resources minus Total Public Loads minus Other Obligations.

Revision Date: 10/2/2002