REGIONAL DIALOGUE PUBLIC WORKSHOP NOTES
Wednesday, December 4, 2002
BPA Rates Hearing Room, Portland, Oregon

Approximately 35 people attended, with four or five people joining by phone.

1. Welcome

Fred Rettenmund (BPA) welcomed participants to the third regional dialogue workshop, noting that in addition to the workshops, people have met in two breakout sessions. He outlined the agenda, and staff distributed a handout with material for the discussion.

2. Revised Principles

Rettenmund went over six principles and objectives regarding BPA's power supply role after 2006, pointing out where revisions were made after the first workshop. Principle five, which calls for creating a common interest among customers and stakeholders, was added in its entirety, he said. [A copy of the workshop handout, including the tables and graphs referred to later in the meeting, is available on the regional dialogue web site.]

Kay Moxness (Central Lincoln) asked about the purpose of principle five and what it adds to the list. Our attempt is to get all folks to agree on a post-2006 outcome, and the more alignment there is among customers and other stakeholders the more sustainable the outcome, Rettenmund responded. We didn't have this principle on our first list, and we wanted to make the idea more explicit, he said.

Don Kari (Puget) questioned the wording of a bullet under principle #1, sharing benefits with the IOU exchange customers "as broadly as possible." He suggested replacing that wording with "sharing equitably." There is "a connotation of convenience," rather than fairness, in the way it is stated, Kari said.

Steve Weiss (NWEC) agreed that as it is written, the statement about sharing of benefits "sounds discretionary." It is part of the exchange and in the law, he pointed out. The tone makes it sound like a new idea, but it's part of BPA's current obligation, Weiss said.

We may want to redraft the principle after we talk more about the residential and small farm benefits, Rettenmund acknowledged.

Rettenmund directed participants to the next page of the handout, the statement of BPA's purposes for the dialogue. Marcus Wood (PacifiCorp) suggested there are political considerations with purpose #4, which refers to "a growing federal deficit." You have an Administration that may not want to highlight the situation, he said. Linc Wolverton (ICNU) pointed out that not everyone agrees there is a growing deficit, so the word "potential" could be added, and Paul Murphy (Golden NW) suggested care be taken with any implications that the region wants to tie Congress' hands in any way by crafting long-term contracts.

A more favorable way to state this would be to point out that long-term contracts take risk from BPA and stabilize its ability to recover costs, Weiss said. You could also point out the advantages for BPA's public purposes in that the new contracts would provide a way to make a steady, sustainable investment in conservation and renewables, he added.

What are the "related benefits" for DSIs referred to in purpose #3? Erick Johnson (PNGC) asked. We don't have specifics, but things may emerge as we discuss service to the DSIs, Rettenmund responded. He also noted that staff is still considering whether the principles that guided the development of Slice are applicable to other power products.

3. BPA's Current Views on Post-2006 Issues

Cost Structure

Rettenmund said BPA is prepared to provide preliminary information about its future costs. This helps us calibrate our thinking, and it's valuable to others in assessing the policy options, he said.

Barney Keep (BPA) walked participants through "a very preliminary cost structure" for BPA. We're hoping the volatility will settle out of rates, and "we'll get back to normal" in the 2007 to 2011 period, he stated. The "rough cut" at costs for the upcoming period indicates we'll be about a $30 (per MWh) business, Keep said. Table 1 in the handout presents broad categories of change in BPA's costs that indicate why we foresee rates going from the 1996 level of $22 per MWh to a projected $30 per MWh in 2007, he explained.

Customers asked a number of questions about the derivation of the numbers in the table, including the basis for a 2,000 aMW increase in firm loads. Bill Doubleday (BPA) said the increase is based on the difference between BPA's 1996-2000 loads and the roughly 7,850 aMW (7,100 aMW to publics and up to 750 aMW to DSIs) projected for 2007-2011. In response to questions about conclusions that could be drawn from the table, Doubleday cautioned that "the numbers are rough – they're rounded to the nearest $10 million." They are intended to give a notion about why our 2007-2011 costs are projected to be higher than they've been in previous years, he stated.

A lot of these costs could move either way, Keep agreed. We did a similar table for Subscription and estimated our price would be $27 to $28, and that's about how it worked out, he added. These numbers provide "a pretty good ballpark figure," Keep said.

Litchfield asked about the increase in fish and wildlife (F&W) costs, and Doubleday said it reflects increased spending in the direct program. Is the power loss from reshaping spill here? Litchfield inquired, and staff said it was not.

Geoff Carr (NRU) asked about the derivation of the increase in IOU benefits. Doubleday said it reflects a net change from the 1996 period, and not the joint customer proposal.

What about the increase in planned net revenues for risk (PNNR)? Carr asked. If we assume we'll have another five-year rate period, the PNNR will be higher than it was in May 2000, Doubleday replied.

How BPA deals with risk and the PNNR will be a big issue in the next rate case, Keep stated. The rate direction is still being scoped out internally, so it's premature to put a fine point on the PNNR number, he indicated.

I'm trying to figure out "which envelope" you used for "the back of the envelope" estimates, Wolverton said. "We had several envelopes," Keep acknowledged. For the IOU benefits, we used the 1996 rate level; for PNNR, we had $100 million in the last rate case, and this amount is a placeholder – "we would not say we need less PNNR, given the market volatility," he explained. For O&M, we used 1996-2001 actuals and forecasts for 2007-20011, and for F&W, we used the 1996-2001 actuals, Doubleday added.

In some areas, you're already running above those levels, Wolverton pointed out. The question we're answering on the table is, what's changed from 1996 to 2007 to cause our costs to increase, Doubleday responded. What's your "rule of thumb" for the ratio of costs to rate impacts? Murphy asked. Staff responded that the ratio is about $65 million in costs to $1 per MWh.

The discussion moved to a series of graphs that illustrate the effect of the secondary revenue forecast on rates. Secondary revenues have become a big part of ratemaking, and the Administrator wanted forecasts for the out-years, Doubleday stated. The graphs show what happens to rates from 2007 to 2011 with differing levels of secondary revenue; $380 million in Graph 1, $525 million in Graph 2 and $650 million in Graph 3, he explained. Doubleday noted that for the period 2002 to 2006, the graphs reflect a steady $620 million in secondary revenues, with the cost recovery adjustment clauses (CRACs) sized to cover any negative net revenues.

In response to a question from Keith Knitter (Grant PUD), Doubleday said he varied the percentage of the market price BPA would achieve with secondary sales to reflect the fact that energy is sold when it is available, and sales at different times recover differing amounts of revenue.

How did you get from $380 million to $650 million in secondary revenue? Murphy asked. The purpose of the three graphs is to show the variation, with $380 million the low scenario, $525 million the medium and $650 million the high end, Doubleday responded. We're putting the scenarios out there to show what the effect is if secondary revenues vary, he explained.

It would have been easier to show the variation with changes in the market forecast, Dave Hoff (Puget) commented. This could have been done in a number of ways, but the idea was "to get us into the ballpark," Keep responded. We wouldn't use this analysis in ratesetting, he added.

How will you go back to your utility and explain why you're supporting a proposal (joint customer proposal) that these graphs show would result in a higher rate than BPA's Subscription rate? Weiss asked the utility representatives. Wood responded that BPA's graphs are predicated on unrealistically low market prices. If you used the market prices the Council has derived for its Power Plan, the situation with rates depicted on the graphs "would flip-flop," he said.

The settlement proposal has a credit to the IOUs based on non-firm revenues, Carr pointed out. The settlement proposal calls for a credit based on the amount of secondary sold multiplied by an index price, Doubleday said. For this analysis, I used the Aurora model number as the index, he added.

Will BPA redo these graphs based on our input? Kari asked. To some people, a $35 per MWh medium market doesn't make sense, he added.

We will periodically update our forecast, but you now have the tools to run your own assumptions, Keep responded. We'll work with people on running alternative assumptions, Rettenmund said, amidst discussion of where the participants could download the information needed to run different scenarios.

These forecasts and models will cause more problems than they solve, Scott Brattebo (PacifiCorp) stated. You may have wanted to get us into the ballpark, "but I'm not sure we're in the same state," he added.

There is an ongoing process for working on this that includes the Council, customers and BPA, and we're narrowing the gap between our numbers, Carr responded. There is a process to bring this together, he stated. The goal is to have one set of agreed-upon market projections that we can all work from, Howard Schwartz (WA CTED) added.

Is there any effort under way to try to get a comparison of the customer proposal and Subscription beyond 2011? Knitter asked. We are in the process of recreating our capability to do a 20-year rate projection, Keep responded. We're not there yet, but we realize there's a need, he added.

We know there is disagreement about the market prices, but we wanted to get something out there to start the thinking on this topic, Rettenmund summed up.

<u>Requirements Products</u>

Carolyn Richardson (BPA) said she had several basic points to make on BPA's current thinking with regard to requirements service. First, we plan to offer the same products as we did in Subscription, she said. Our block service would vary from the customer proposal in that we would not require that a customer make a Slice purchase in order to get the block, she added.

We aren’t planning to offer block with factoring, and there was not much interest during Subscription in complex partial with factoring, so we don’t plan to offer it, Richardson said.

Seattle might still want the complex partial without factoring, Kevin Clark (Seattle) said, adding that although people may not have chosen a particular product in Subscription, it isn’t necessarily true they wouldn’t be interested in it for the next contract.

Would the block have load growth or step-up? Weiss asked. Yes, we would have step-up, Richardson responded. There would be costs associated with serving the step-up, Rettenmund clarified.

When a customer’s current block expires, if they want a larger block, would they pay the melded rate? Terry Mundorf (WPAG) asked. Under the current contract, additional block is paid for by everybody, he pointed out. The portion of the block that is considered load growth would bear the costs of BPA acquiring resources to serve it, Tim McCoy (BPA) responded.

With regard to other load-growth provisions, BPA intends to be the default supplier for partial and full requirements customers, McCoy said. We intend to offer the option for those customers to serve their own load growth, but we don’t have anything to report yet on the notice period that would be required if they make that choice, he continued. We would not provide load growth for the Slice product, McCoy stated.

By default, do you mean BPA stands ready to serve the load growth? Litchfield asked. We would stand ready, with the customer having the notice option, Rettenmund replied. How will you know “if you’re on the hook or not?” Litchfield asked. Our obligation will be set out in the contract, Tim Johnson (BPA) responded, adding that the notice period is very important, he said. The default means, we’ll assume we serve unless we get notice, Johnson said.

The notice becomes critical, Lyn Williams (PGE) commented. How will that work, since it will take lead-time to make sure supply works out, she said. That’s a valid point – we’ll work with people on the notice period, Richardson replied. A major consideration for BPA is that we do not want to be stuck with stranded costs, she added.

Are you contemplating a tiered rate for the partial and full requirements load growth? Weiss asked. We’ll talk about that on December 18, Rettenmund responded. But “it’s no secret” that we’re thinking about a tiered approach, he said.

There was contention last time over load growth in Slice rates, Mundorf commented. Would the cost of augmenting the requirements load be the responsibility of the requirements pool? he asked. What about stranded costs in that pool? Mundorf asked. The answer to the first question is yes, Rettenmund replied. As for stranded costs, we want to set it up so we don’t have a stranded-cost issue, he said.

Clark posed a block/Slice block scenario, assuming a 10-year contract. For the second five years, some customers have the same size block, some have a pre-agreement on a step-up and some contracts are silent. What would BPA consider an increase? Would it be anything above the contract amount or anything above the first five years? he asked.

That has yet to be determined, but it will not necessarily be either, McCoy replied. If we have more net requirements than the Federal Base System (FBS), there's a question as to whether a customer would have an entitlement based on what it bought earlier, he said.

Richardson said customers would have a one-time opportunity to change the type of contract they have. When would that occur? a participant asked. It would be at the beginning of the new contract, Rettenmund replied.

Litchfield noted there is flexibility within a block purchase, including shaping, reshaping and light and heavy load hour service. We'd expect to offer all those options, McCoy responded. The cost differential for shaping services is in the demand charge, he explained. If, for example, a customer buys a 50 MW block with 10 MW of shaping, the customer pays a 60 MW demand charge, McCoy said.

Carr said the requirements customers are very interested in issues like notice provisions and lead time. How do we work with you to develop those ideas? he asked. They might be appropriate topics for breakout sessions, Rettenmund responded. We'll take a few more weeks to work internally, and then we'll announce some follow-up sessions, Richardson said.

Slice

John Hairston (BPA) provided BPA's thinking with regard to a Slice product. The Slice principles established in Subscription seem to fit our current direction, and we want to keep them in place, he said.

We want to maintain a single Slice contract, Hairston continued. It makes it much better for BPA to administer a single contract, he explained. This means the current Slice customers would have to go to a new product or to Slice in its new configuration, Hairston said. The current Slicers would have to agree to curtail their current contract, he added.

What if a Slicer wants to keep the current contract? Knitter asked. That's a problem, Hairston responded. Our position is that we would require consensus among Slicers on a new contract, he said.

We are providing Slice as a product within a portfolio of products, Hairston continued. But we want to be clear that it is not "a property right," he said. Some people felt that Slice carried with it a property right, as though they purchased a piece of the system, and as such, they wanted more decision-making authority, Hairston explained. We are saying that is not the case – Slice is a power product, he stated.

To minimize financial risk, BPA intends to continue to have a requirement on creditworthiness for Slice customers, Hairston said. We are willing to explore new ways of applying the requirement and setting the criteria, he said.

Does that mean more flexibility? Litchfield asked. Yes, Hairston replied. We are willing to explore re-establishing the levels, he added. We will also look at ways to recognize the difference between utilities and entities that don't have a bond rating, Hairston said.

Isn't BPA's credit risk the same for customers who buy the block? Jack Speer (Alcoa) asked. We see a difference and see this credit requirement as applicable only to Slicers, Hairston responded.

Will there be a limit on the overall amount of Slice? Mundorf asked. Mary Johannis (BPA) said BPA hasn't arrived at a specific number. The customer proposal addresses some of the operational problems with Slice, but if a large part of the system were sliced, say 70%, we would have concerns, she stated. If 70% or more of the system went to Slice, we'd require major contract changes; but if things stay about where they are, we could get by with only minor changes, Johannis said.

Mundorf asked about the contract changes. You're in something of "a chicken and egg dilemma" since we won't know what the contract changes will be until you know the amount of Slice, he pointed out. We'll have to get into that, Johannis responded.

As an example of the operating flexibility BPA needs and why the contract terms would have to change if Slice dominated the system, she cited a BPA contract with PacifiCorp. The contract calls for us to provide 925 MW of operating flexibility, and if the system is 100% Slice, that would have to be accommodated, Johannis stated. Brattebo noted that PacifiCorp's need for that flexibility from BPA is declining. In the new regime, that won't be a big issue, he said.

If you have an assurance that the amount of Slice won't exceed the original 2,000 MW, will you have many contract changes? Clark asked. No, we'd just fine-tune the contract, Johannis answered.

Our idea is whether we fine-tune or make material changes, Slicers would still have to move from the old to a new contract, Hairston said. Clark pointed out that the current contracts go until 2011, and BPA may create a situation in which it has two versions of the contract if it insists on making changes. Most likely we will have different contract terms for Slice, Hairston reiterated. We don't want "to get squeezed" because you want to make changes to the Slice contract, Clark stated. I don't want to see something that precludes people staying with their original contract, he said.

We'll have to talk about the definition of "fine-tune," Rettenmund commented. We've laid out our views, but we can't solve these issues today, he added.

Could you come up with a list of issues that are in play if there is a big change in the size of the Slice product? Mundorf asked. We are working on that now, Johannis replied. We gave you some of those in our July letter, and they are still part of the list, Rettenmund added.

Is your idea of the block different than what is in the customer proposal? Weiss asked. We don't propose to require that customers buy Slice in order to get a block, Rettenmund responded.

Hairston said an additional issue is the relationship and information exchange between BPA's operations and its trading floor. We see the current relationship as appropriate, and we don't propose to separate the two entities under Slice, he stated. There are some things we can't separate in order to assure reliability, Hairston added. In addition, we intend to continue the flexibility in the Slice contract with regard to storage and pondage, he continued. The current flexibilities do not diminish our ability to meet fish operations, and we don't see a need for further constraints, Hairston said. That is, assuming the volume of Slice stays about the same, Johannis clarified.

So you would want to make changes to the contract if there is a larger volume of Slice, and the extent of the changes depends on the extent to which Slice increases? Erick Johnson asked. Yes, Hairston replied.

Why do you need to make the changes if there is 70% of the system in Slice? Weiss asked. One reason is that we can't forecast the weather perfectly, Johannis responded. If the runoff forecast is high or low, the BPA portion of the system now accommodates that change to meet things like the April 10 fish targets, she explained. If 70% of the system were in Slice, we'd have a problem with doing that, Johannis stated. TBL could also face a problem meeting reliability criteria if the amount of Slice gets too large, Mary Ann Dalton (BPA) pointed out.

If a large chunk of the Slice is Slice/Block does that reduce your problem? Weiss asked. Yes, that's correct, Johannis responded. With a large amount of block there would be more certainty about what we would have to provide, she said.

How much has BPA looked at having between 800 MW and 1,000 MW of Slice? Clark asked. Or in other words, is there a minimum Slice? he inquired. That's a good question, and we've just started looking at that, Hairston responded. The overhead costs would be there even if the amount of Slice purchased were small, Rettenmund said.

One additional issue with Slice deals with the true-up, Hairston said. At this point, we would want to retain the current process, but we'd like to discuss and explore other options, he stated.

What if a Slice customer fails? Litchfield asked. Do the other Slicers step up to cover the loss? he asked. We've given that some thought, but we have to consider it further, Hairston replied. Our biggest concern is with partitioning off some part of the system to a particular group of customers, he explained.

Service to the DSIs

The DSIs are in a different situation than other customers since they have no contracts beyond 2006, according to Scott Wilson (BPA). We have been considering what we can do to give the DSIs some certainty, so they can plan beyond 2006, he said. It's a difficult time for the Northwest aluminum industry, and there is not as much load operating as there has been in the past, Wilson continued. And what happens with the future of the industry will affect others, he added.

We are thinking we will make 750 aMW available to the DSI load, Wilson stated. That would be about 100 aMW per smelter, he said. Of that amount, 50 aMW would be set aside for small DSIs, those with loads of less than 20 aMW, Wilson said. As for the term of the contract, we are thinking 20 years, take or pay, he continued. A DSI could sign up to take power for a lesser term but would have to agree to no power for the remainder of the contract, Wilson explained. For example, he said, if a DSI takes power for only seven years of the 20-year contract, it is agreeing to an additional 13 years without power.

We see 750 aMW as a limit, but if only two smelters want power, they could take up to that full amount, Wilson said. The DSIs would take power at the IP rate, and we would stay within the rate directive, he stated.

For eligibility, there would be a creditworthiness standard – if a DSI wants to make a take-or-pay commitment, we want to assure we will get paid, Wilson went on. A DSI would also have to meet its current obligation under the Subscription contract in order to be eligible for another contract, he said. That condition could be satisfied in three ways, Wilson said: the company could purchase power until 2006; pay liquidated damages; or have in place a load buy-down arrangement with BPA.

How will you address DSIs bringing resources? Litchfield asked, noting that in the joint customers proposal, if a DSI wants more than 100 MW, it must bring resources. We don't know how we'll address it, but there are issues, Wilson responded. For example, we don't want to set up a situation like remarketing in the previous contract, he said.

Another eligibility criterion for service after 2006,Wilson listed, was that the DSI must stay with BPA through the term of its current contract. There are off-ramps in two of the current contracts due to buydown arrangements in 2001 where if the DSI leaves BPA, it agrees to stay off the system forever, he said. We'd enforce that provision as a matter of eligibility for a new contract, Wilson added.

We would propose a couple of different ideas, Weiss stated. We want to make this workable for the DSIs, he added, noting that the public interest groups he represents have forged an alliance with the United Steelworkers.

First, we think interruptibility rights should be part of the 750 aMW deal, Weiss said. Many utilities have interruptibility in their industrial contracts, he stated. As for pricing, we think the DSIs should operate when market prices are low and not when they are high, Weiss stated. "It's ridiculous" to have the DSI rate linked to the PF, he said. When prices are low in the market, that's when you want the DSIs on line to use the power, but when they're high, you want to sell surplus into the market, Weiss contended. Price the DSI power to the market, he suggested. We'd have to work out the details, but we want a structure that works for the companies, the region and the customers, Weiss said.

Interruptibility is a good idea, but we're opposed to making any payment to the DSIs unless they are actually interrupted, Kevin O'Meara (PPC) stated. The problem with your pricing proposal is that it insulates the DSIs from the problems associated with high power costs, he said, and the other customers would have to pay them. You need to find a way to expose the DSIs to the consequences of high prices, O'Meara stated.

One of the lessons we need to apply from the past is, don't pay people to interrupt load that is already off line, Mundorf said. The Regional Transmission Organization (RTO) also brings new complications, he continued. We need to think about where the benefit of an interruption goes under an RTO and who should pay, Mundorf suggested.

Our thinking is that in paying for interruptions, payments would go to making the workers whole, and payments would be made at the time of the interruption, Wilson said. We see a challenge with using surplus power to serve the DSIs, he continued. They need a steady supply, and surplus is unpredictable, Wilson said. And we need to get good value for the surplus – it has value to the system in terms of revenue credits, he added.

If the idea is to make workers whole, you aren't talking about 15 minute stops, Murphy commented. There are capital costs that continue with longer interruptions, he said. I was referring to something that would be a significant interruption, Wilson replied. The question is what the triggers would be – water and/or economic conditions, he said.

Weiss pointed out that longer-term interruptions would likely be triggered by drought conditions, which also drive up the market. The aluminum companies shouldn't operate when market prices are high; our proposal is "to get these guys operating at the right time" and keeping BPA's costs down to help other customers, he said.

Credit support is another issue, and BPA is undecided about it, Wilson said. Credit support refers to BPA co-signing loans for DSIs involved in generation projects, he explained. Those discussions are ongoing, Wilson added.

When do the companies have to make an election on their contract off-ramp? Mundorf asked. One of the off-ramps is a one-time option in June 2003, Wilson replied. Another is tied to involvement in building new generation resources, he said.

Looking at Barney's numbers (on cost structure and rates) this proposal with a take-or-pay requirement looks "really, really marginal," Murphy commented.

<u>IOU Small Farm and Residential Benefits</u>

Larry Kitchen (BPA) provided an update on where BPA stands in its thinking about the IOU benefits. We are exploring several options, including the joint customer proposal, he said. Basically, we believe the residential and small farm customers of IOUs should receive benefits that are similar to the risks and benefits of the federal system received by BPA's preference customers, Kitchen said. We're also exploring the proper basis in law for providing the benefits, he stated.

There are a few specifics to report, Kitchen said. First, we believe the settlement options should expose all customers to the risks and benefits of the FBS output, he said.

Are you referring to regional utility customers? Erick Johnson asked. Yes, Kitchen said. Is that the IOUs, preference customers and DSIs? Johnson asked. It refers to customer classes buying requirements services, Kitchen responded. It doesn't mean customers buying surplus, he added. We're talking about regional customers with a power contract, Tim Johnson stated.

We also believe that any settlement proposal based on a formula should be grounded in a long-term forecast of BPA's obligations under a Residential Exchange program, Kitchen continued. Third, a settlement must reflect the region's need for BPA's wholesale power rates to be competitive under a range of wholesale power market conditions, he said. What that means is we are going to analyze the benefits associated with the proposals under a range of conditions, from low to high market prices, Kitchen explained.

Fourth, we are exploring an option that objectively values the elements of the formula, other than BPA rates, on information external to the rate case, he said.

So under your first statement, if BPA's rates were at market, the IOU beneficiaries would share the exposure, Murphy said. Kitchen said yes. Murphy asked about how BPA would meet the requirements of 7(b)(2). The long-term forecast has to address things that are in the statute, Kitchen responded.

Wolverton noted that a forecast of IOU benefits under the exchange would be based on average system costs. He asked how BPA would address the fact that some IOUs opted for deemer status under the exchange. We don't have it worked out yet, Kitchen responded. We would use an appropriate exchange methodology and have a record that looks at various views, he said.

Carr questioned Kitchen about the fourth statement pertaining to using an objective value for the settlement that is external to the rate case. We want to find a formula that doesn't relate to BPA's rates, Kitchen responded. And we're trying to come up with something that the IOUs would have confidence in, he said.

Kari asked about the consideration BPA is giving to fish costs and expenses of serving the aluminum companies in developing its proposal on IOU benefits. The IOUs don't want to be considered a cost, they want to be considered a customer, Kitchen responded. He also indicated that it is not good in the long term for BPA to spend so much money on the settlement that it forces wholesale rates above the market. Under that circumstance, people will find a way out to the market, Kitchen said.

Wood pointed out that the non-IOU customers are concerned about how rapidly the market can change, and they want to find a way to dampen that effect in rates. He suggested that likewise, the formula for calculating IOU benefits should not result in too much short-term volatility. We have general considerations on that but no specifics yet, Kitchen responded. We have not ruled anything on or off the table, he stated.

Kitchen declined to elaborate on the six options he said BPA is considering. We want to pare them down internally first, he stated. I hope we'll have something more to report before Christmas, Kitchen added.

It's important that you have time to work these topics internally, and I'd encourage you to take the time you need, Mundorf said. But don't truncate our opportunity to work with you on them, he added. There is a lot of work that could be done on the average system costs, Kitchen responded.

The hard part is when you get down to what you're trading off, Mundorf said. You get to acceptable offers by letting people have a hand in shaping your proposal, he indicated. We need to do more work internally first, Kitchen responded.

4. Other Business and Schedule

Weiss said he would like to address the question of financial emergencies. We would like to make sure that we deal with how those emergencies will be handled, he said. We want more certainty on fish, and this is one area for getting there, Weiss stated.

We've said fish aren't part of this discussion, Mundorf responded. If we're going to open the door to those topics, then "all of them are game," he said.

One of the issues is, if customers have a responsibility for load growth and "they screw up," what is the price when they come back to BPA, Weiss continued. He suggested that if customers do come back under such circumstances, it presents an opportunity to put revenues into a fish fund. Mundorf asked for some instances of when that has happened. I want to know something is broken before we spend time fixing it, he stated.

Participants suggested the morning of December 11 be used for small group meetings on specific topics. Rettenmund said people could suggest topics for an afternoon workshop, and he'd decide whether to schedule one. Check the web site at www.bpa.gov/power/regionaldialogue, he advised.

The meeting adjourned at 2:50 p.m.