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February 12, 2004

Next Steering Committee Meeting Tuesday, March 2, 1 PM in the Council's  
Main Conference Room, 851 SW Sixth Av, Portland, Suite 1100

### **Resuming the Regional Dialogue on the Future Role of Bonneville in Power Supply**

Directions from the February 10 Meeting

#### **Background**

The discussion at the February 10 meeting indicated a broad level of agreement regarding the overall objective, i.e. that BPA's role in providing power beyond the capability of the existing Federal system should be limited to providing power to those that request it and in a manner that assigns the costs and risks of such service solely to those that receive it. In addition, there was also a great deal of agreement regarding the issues that must be resolved to achieve that objective (See attached Council presentation and Joint Customer Group paper). It was also clear that the number of issues is large and many are contentious.

Many customers have indicated their intention to retain their existing contracts through 2011. Others (approximately 800 aMW of load) have contracts that expire or that must be renewed in 2006. In addition, Direct Service Industry (DSI) contracts expire in 2006. While the amount of DSI load in the region is much reduced, there remain DSIs that have an interest in Bonneville service post-2006.

Bonneville is faced with the necessity of making decisions in the relatively near term for service in the FY 2007-2011 period. However, the region is seeking to achieve the longer-term objective of a more limited role for Bonneville in power supply described above. Consequently, these near-term decisions need to be consistent with that longer-term objective and provide a mechanism that ensures the durability of the decisions from the near-term to the long-term. Such durability will provide customers and others with the certainty they need to make timely decisions regarding how their resource requirements are going to be met post 2011.

Bonneville will be publishing a policy proposal in June of this year that is intended to lead to establishing policy to accomplish this. Timing is dictated by the need to make decisions regarding contracts that expire or must be renewed in 2006; the expiration of the current

conservation and renewables discount program in 2006; and the necessity of a rate case in 2005-2006.

## **Focus for the Next Several Weeks**

In view of the foregoing, for the next several weeks, efforts should be directed toward developing recommendations that can shape Bonneville's June policy proposal. While most of these recommendations will, of necessity, be focused on the service under the existing contracts during the FY '07-FY11 period, they need to be consistent with the longer-term objective and provide a mechanism for implementing the long-term objective for the post 2011 period. We believe the issues that should be addressed include at least the following:

- How can service to preference customers beyond the capability of the existing federal system be limited to those that request it and in a manner that assigns the costs and risks of such service solely to those that receive it? In particular, should rates be tiered for the FY 2007-11 period and, if so, how?
- How should the approximately 800 aMW of preference load for which contracts expire or which require renewal in 2006 be treated?
- How should new large single loads be treated?
- How should service to new public agencies be treated?
- Should service be provided for DSIs and, if so, under what terms?
- What products should be offered and what flexibility should customers have to shift between these product offerings?
- How should benefits be provided for the residential and small farm customers of the investor-owned utilities?
- How can customers at least attain greater confidence in Bonneville cost decisions and cost control and possibly be afforded greater influence or control over the costs to which they are exposed?
- What mechanisms should be established to ensure development of cost-effective conservation and renewable resources?
- How can the decisions that are reached be made durable post-FY 2011 such that customers have the certainty they need to make resource decisions for that period? For example, could amendments to existing contracts be negotiated to condition service post 2011? Could new contracts be negotiated in the next couple of years for post 2011 service? Are there instances where legislation is needed and for which the benefits outweigh the risks? Are there other options?

## **Process**

Most of the issues identified above need to be dealt with within the Joint Customer Group with the participation of BPA. However others have legitimate interests in these issues and their resolution. The customers' efforts will be more productive if the customers regularly review their progress, the points of agreement and disagreement and the underlying rationales with the broader steering committee. This will ensure feedback on a regular basis and provide broader participation and ownership of the results. Additionally, the work group that was established last

year to address conservation and renewable resource development will be re-established. This will involve representatives of the customers, Bonneville, environmental groups and the states. This work group will report to the steering committee on the same schedule as the Joint Customers.

The Council has committed to sponsor Steering Committee meetings at least every three weeks until mid-April. The next meeting will be held from 1:00 – 4:00 PM, Tuesday, March 2 at the Council's offices in Portland. A call in number will be provided.

attachments

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