

2/10/04

COMMENTS TO THE NWPCC BY CUSTOMERS
ON THE REGIONAL DIALOGUE WORKPLAN

Overview

- There is broad consensus among customers at a high level on what the future BPA/customer relationship should look like.
- This consensus builds on the work done on the Joint Customer Proposal, and public process conducted jointly by the NWPCC and BPA.
- This consensus includes the following:
 - There should be enforceable, long-term contracts (20 years) to (1) protect the system from outside intervention, (2) to reduce uncertainty for customers and BPA.
 - BPA's primary role, in addition to transmission, should be managing the operation and marketing the output of the Federal power system.
 - BPA's role in providing power beyond the capability of the Federal power system should be limited to providing power to those who request it, and in a manner that assigns the costs and risks of such service solely to those who receive it.
 - Limits on BPA's role as a power supplier, and the assignment of costs of service beyond the capability of Federal power system, should be memorialized in enforceable contracts.
 - This revision of BPA's role will require an allocation of the Federal power system resources, costs and benefits.
 - Any allocation must include an offer of a "Slice" product, a block product, as well as requirements product(s) under which BPA continues to manage the water, market and load growth risks.
 - The residential and small farm customers of the region's investor-owned utilities should receive benefits of the Federal system in an amount which is judged to be equitable, and in a way that is clear, transparent and not subject to manipulation.
 - The question of service to the DSI's must be addressed.
 - Continued regional development of cost-effective conservation and renewables must be a component of any long-term solution.
 - BPA's ability to fulfill its fish and wildlife obligations must not be impaired.

- Long-term cost control and a meaningful voice in BPA budget and spending decisions are key elements to implementing long-term contracts between BPA and its customers.
- The customers view the foregoing principles as interrelated, and believe that any durable, long-term resolution must address all of these principles, and cannot dealt with them in a piece-meal fashion.
- The customers have demonstrated their ability to reach consensus on such issues, and will do so again to establish a sound, long-term business relationship with BPA.

What Should be Avoided in this Process

- The resolution of long-term institutional and contractual issues should not be driven by the schedule of the next BPA rate case.
- The BPA rate case is not the appropriate process for identifying and putting in place long-term, durable solutions about BPA's role. The BPA rate case is no substitute for durable, long-term solutions about BPA's role.
- Being diverted into working on short-term rate case issues, to the detriment of resolving substantive issues that will lead to new, long-term contracts between BPA and its customers.

What Should be Done in this Process

- The NWPCC can play a constructive role by helping to identify and resolve the issues that must be addressed to change BPA's role and implement a durable new business relationship between BPA and its customers.
- Some of the things that the NWPCC can do are:
 - Support a meaningful and constructive dialogue with BPA on its future role that results in resolutions that are broadly acceptable to BPA's customers.
 - Provide a forum of the identification of issues that must be addressed to revise BPA's role.
 - Provide a forum to which interested parties may bring issues to that require resolution.
 - Facilitate discussions between interested parties seeking resolution of these issues.

Critical Path Issues

- The customers have identified a number of critical path issues for which they expect to provide the NWPCC with resolutions. A list of these issues is attached.

2/10/04

CRITICAL PATH ISSUES LIST

The issues set out below are grouped in what appear to be logical clusters, and are not listed in order of importance.

A. Governance Issues

1. What mechanisms and remedies are needed to ensure BPA cost control over the long term?
2. What steps are needed to ensure that BPA contract provisions can be promptly and fairly enforced in accordance with their terms?

B. Sharing of System Benefits

1. What is the type and amount of the benefits available to the public utilities?
2. What is the type and amount of the benefits available to IOU's residential and small farm customers?
3. What is the type and amount of the benefits available to the DSIs?

C. Public Utility Benefit Issues

1. How can a fair allocation be implemented?
2. Should there be headroom for requirements customers?
3. Should there be a transition period before responsibility for load growth is shifted to customers?
4. What is the type of the products available to publics?
5. How are new public utilities dealt with in the new system?
6. What should be the duration of public utility contract commitment?

D. IOU Benefit Issues

1. If IOU benefits are monetary, how are they determined?
2. If IOU benefits are power, what is type and amount available, and how is it priced?
3. What becomes of the rate test?
4. What should be done to keep the IOU benefits from being manipulated?

5. What should be the duration of IOU contract commitment?

E. DSI Benefit Issues

1. If DSIs have a BPA power supply, how is it priced and who pays the costs?
2. What is the role of DSI interruptibility, and does it impact the price of power?
3. What is the duration of any power supply to the DSIs?
4. How is payment of power costs ensured?

F. Other Issues

1. How do we determine how much FBS is available?
2. Is there sufficient Federal system capability available to provide an allocation equal to the net requirements of all public utilities and provide headroom?
3. Do we want to consider legislation, and if so what is the form of any new legislation needed?
4. What is the timing of these changes, 2007, 2011, or sometime in between?
5. If the change occurs prior to 2011, how are customers retaining current contracts dealt with while those contracts are in place, and after they expire?
6. How are costs effectively segregated by contract?
7. What is the timing and sequencing of contract execution and rate process?
8. What are the rate mechanisms that will be used to have customers pay for their load growth?
9. What changes are needed to improve the Slice product?
10. What are the rates, terms and conditions under which GTA customers get access to non-federal power supplies?