



## Department of Energy

Bonneville Power Administration  
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POWER SERVICES

December 31, 2008

In reply refer to: PS-6

### **To Parties Interested in the Long-Term Regional Dialogue and Implementation:**

During this holiday season, it is appropriate that we take stock of our collective achievements and congratulate one another on our successful recent culmination of 6 years of hard work: the signing by December 1 of 135 Regional Dialogue power sales agreements.

These long-term contracts solidify and clarify the important business relationship that has existed for many years between the Bonneville Power Administration and its Pacific Northwest customers that serve retail consumers.

Our efforts in the Regional Dialogue process were marked by collaboration and dedicated efforts by thousands of individuals. The signing of these contracts signals the culmination of a consensus-driven, interest-based effort that struck a reasoned and equitable balance among competing needs and interests. The execution of these contracts will have the far-reaching beneficial effect of preserving for the citizens of our region the value of low-cost hydroelectric power from the Federal system for the next two decades.

Armed with our recent successes, we now must turn our attention to the implementation phase of the Regional Dialogue. There are a number of tasks we must tackle early next year for implementation of the new contracts and rate methodology. Some of these are public processes, and some involve BPA working with individual customers.

### **Clean-Up and Clarification Efforts**

- **Tiered Rate Methodology Cleanup** (see TRM section 12). While finalizing the TRM, parties indicated that they would like an opportunity to ensure that there were no discrepancies between the final TRM and the new Contract High Water Mark (CHWM) contracts. Section 12 of the TRM provides that TRM modifications that BPA and a designated group of public power representatives agree to before February 1, 2009, will be proposed in a future 7(i) rate proceeding and not be subject to the additional procedural requirements in TRM sections 12 and 13. This TRM Cleanup process will start in early January. BPA will hold one or more public workshops during this process.
- **Exchange Clarification for Consumer-Owned Utilities.** Because of the timing difference between the TRM, the new Residential Purchase and Sales Agreement (RPSA), and the new Average System Cost Methodology (ASCM), BPA committed to re-examine the three documents for consistency and clarity regarding the Residential Exchange Program (REP) as it applies to consumer-owned utilities. Since these three processes are now complete, BPA

will propose and seek comment on clarifying language to the CHWM contract and RPSA contracts to provide further certainty to those consumer-owned utilities that expect to participate in the REP. This review will begin in early January 2009.

- **RPSA Exchange Load Public Process.** The RPSA contracts state that the amount of Exchange Load a consumer-owned utility can use to calculate REP benefits will be determined in a public process or 7(i) process. BPA is beginning a process in January to give consumer-owned utilities eligible for the exchange more certainty on this issue. This process will be conducted jointly with the Exchange Clarification for Consumer-Owned Utilities.
- **Contract Clean-Up Amendment.** During completion of the Regional Dialogue contracts, BPA committed to work with parties on a clean-up amendment to fix any significant ambiguities or material errors in the contract that were discovered between the time the contract templates were finalized and when contracts were signed. The intent is not to renegotiate the contracts; BPA expects most changes specified in the clean-up amendment to be ministerial in nature. BPA has already received significant input from customers on the amendment and will provide an opportunity for further input starting in February 2009.

### **Implementing Contracts and TRM**

- **Third-Party Neutral for TRM Dispute Resolution** (See TRM section 13).
  - TRM section 13.9 states that when customers believe a BPA proposal is in conflict with the TRM, a third-party neutral will be used to resolve the issue. BPA will maintain a roster of potential neutrals and, when needed, will select an individual in consultation with customers. BPA will discuss with customers how to create this roster of neutrals.
  - TRM section 13.10 states BPA's commitment to retain a third-party neutral with "a strong engineering or technical background" to engage in dispute resolution for CHWM, Rate Period High Water Mark (RHWM), and Tier 1 System Firm Critical Output issues. In January 2009, BPA will begin working with customers to select an individual for this position, with a goal to have the selection process complete by April 1, 2009, prior to release of the Transition Period High Water Marks.
- **Resource Support Services (RSS)** (see Exhibit D, section 2.1 of CHWM contracts). In February 2009, BPA will begin a public process on implementation issues and contract language for the RSS products. Because of the importance of RSS to customers' decisions (to be made by November 1, 2009) for serving above-RHWM load, BPA will expedite this process and will provide final offers to customers by August 1, 2009. If a customer elects such RSS service, BPA will revise the customer's Exhibit D by November 1, 2009.
- **Transfer Service for Non-Federal Resources.** The implementation of Exhibit G for customers served through transfer agreements is also necessary before the November decision point. Therefore, BPA plans to begin a public process in February 2009 to develop draft prototypical contract language regarding implementation of transfer services for non-Federal resources based on the principles listed in Exhibit G of the CHWM contracts for

customers served by transfer. Final contract template language will be completed by August 1, 2009.

- **Tier 2 Election** (see sections 9.1 and 9.1.1 of CHWM contracts). Throughout Fiscal Year (FY) 2009, BPA will develop Tier 2 Rate Alternatives. Customers must notify BPA of their above-RHWM elections for the first purchase period (FY 2012-2014) by November 1, 2009. Based on preliminary feedback from customers, BPA is seeking to provide as much clarity as possible on BPA's Tier 2 Rate Alternatives to customers in the January to March 2009 timeframe.
- **Reshaping Dedicated Resources (for Load Following Customers)** (see section 3.4.2 of the Load Following contracts). Customers must notify BPA if they want to reshape their Dedicated Resource amounts for the first purchase period (FY 2012-2014) by November 1, 2009.

#### **Other Related Efforts**

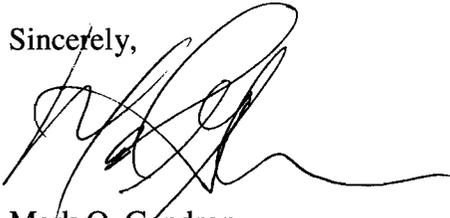
- **Resource Program.** Work on the Resource Program was put on hold in 2008 due to workload constraints and will resume in 2009. The Resource Program is intended to help guide BPA's resource acquisitions for future augmentation and Tier 2 rates. The schedule for the Resource Program follows that of the development of the Northwest Power and Conservation Council's 6th Power Plan, with the final report of the Resource Program scheduled for October 2009.
- **Energy Efficiency (EE).** On January 27, 2009, BPA will hold a public meeting to kick off the public process to discuss BPA's role in achieving public power's share of the Council's EE target for post-FY 2011. The process is proposed to be a two-phase process, with Phase I discussing high-level policy direction and Phase II discussing implementation details. After the kick-off meeting, additional meetings will be held around the region in early February. Phase I is expected to be complete by April 2009.
- **Service to Direct Service Industries (DSIs).** On December 17, 2008, the Ninth Circuit Court ruled on outstanding litigation regarding BPA providing financial benefits to the DSIs. BPA expects that additional discussions about providing service to DSIs will occur early in 2009.

BPA will make additional information on these efforts available in the near future. All public workshops will be announced on BPA's Web site at [http://www.bpa.gov/corporate/public\\_affairs/calendar/](http://www.bpa.gov/corporate/public_affairs/calendar/).

If you would like additional information, please contact your Power Account Executive, Constituent Account Executive, or Tribal Account Executive.

Happy New Year!

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Gendron', with a long horizontal flourish extending to the right.

Mark O. Gendron  
Vice President  
Northwest Requirements Marketing