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July 28, 2005

MEMORANDUM

TO: Council Members

FROM: Terry Morlan

SUBJECT: Update on Bonneville's Regional Dialogue Process

The regional dialogue is a process whereby Bonneville will decide on its role in the regional power system and how it will serve its customers, market its power, and carry out its other obligations. In a sense it is a continuation of a regional discussion that started with the Comprehensive Review of the Northwest Energy System¹ and continued through the Joint Customer Proposals. The central question from my perspective is how Bonneville should operate in today's energy markets to best preserve the benefits of the Federal Columbia River Power System (FCRPS) and meet the general goals of the Power Act in a changed world.

The Council has provided comments to Bonneville on this topic a number of times beginning in 2002. The last installment of Council comments was in May 2004 and is attached. Information on Bonneville's Regional Dialogue Process is available on their web site.²

Some of the key issues in the regional dialogue are:

- Bonneville's role in meeting growing demand beyond the capability of the FCRPS;
- The method of providing benefits to investor-owned utilities, and the amount of benefits;
- Service to the aluminum companies and other direct service industries;
- How Bonneville will sell and price its power; and
- Bonneville's role in acquiring conservation and renewables.

Bonneville was scheduled to release a concept paper to signal its inclinations regarding these and other issues on July 30. The Council is likely to want to comment on that paper. For that reason, we scheduled a presentation by Bonneville for the August meeting. Bonneville has now delayed release of their concept paper until mid-August, likely after the Council meeting. However, Paul Norman has agreed to brief the Council on Bonneville's progress and general direction.

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¹ <http://www.nwcouncil.org/library/1996/cr96-26.htm>

² <http://www.bpa.gov/power/pl/regionaldialogue/prevannouncements.shtml>