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November 2, 2005

MEMORANDUM

TO: Council Members

FROM: Terry Morlan

SUBJECT: Report on the Regional Dialogue

I will report to the Council on the progress of the Regional Dialogue on the future role of Bonneville. My report to the Council will be brief, but more detail will be addressed in the Power Committee. The memorandum in the Power Committee packet is a source for a little more detail if other Council members are interested.

From my perspective the Regional Dialogue discussions are going pretty well. Bonneville and the other participants have been doing a good job of keeping the discussions constructive and, at the same time, frank. One vehicle for keeping the discussion on target is a set of "interests" that were developed and are being used to judge alternative proposals. These interests are as follows:

- Complexity/Simplicity
- Durability/Stability/Contract Enforceability
- Legality
- Lowest Tier 1 Costs/Rates
- Customer and Regional Support
- Salability in D.C.
- Certainty of Obligations for all Parties
- Promote Infrastructure Development
- The Region Perceives the Decisions as Equitable
- Consistency with BPA Stewardship Obligations

While the discussions are going well so far, it is too early to judge the likely success of this process. Many of the details are difficult and, although there has been some progress toward agreement in certain areas, many areas remain under discussion. There appears to be a strong common interest in resolving disputes and achieving the shared objectives of changing Bonneville and the utilities' roles in meeting future power needs. That seems to be grounds for some optimism. However, as the current collapse of the transmission improvements efforts demonstrate, a set of shared goals and urgent needs do not guarantee that the region can reach

agreement on a path to resolve issues. Ideally the Council could play a role in keeping the regional interests in the forefront and urging the region to successfully achieve its common goals.

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