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"Larry"
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Idaho

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Idaho



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Oregon

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Oregon

Bruce A. Measure
Montana

Rhonda Whiting
Montana

November 1, 2006

MEMORANDUM

TO: Power Committee

FROM: Terry Morlan, Charlie Grist, and Leann Bleakney

SUBJECT: Fifth Plan Assessment Interim Reports: Role of Bonneville

Chapter 11 of the Fifth Power Plan contains the Council's recommendations for the future role of the Bonneville Power Administration that are intended to preserve the benefits of the federal power system and to define Bonneville's role in future resource development. The Power Plan lists 13 specific goals that should guide decisions about Bonneville's future role. In addition, Action Items BPA-1 through 6 provide guidance to Bonneville on implementing the recommendations. We believe that Bonneville and the region are making significant progress toward implementing the recommendations in the Power Plan on Bonneville's future role.

The process for implementing changes in Bonneville's role in future power supply is referred to as the Regional Dialogue. The Regional Dialogue process began in 2002 when customers of BPA approached the agency with recommendations to fundamentally change the role of BPA as envisioned in the 1980 Northwest Power Act. The Council has participated in the Regional Dialogue throughout the process. The recommendations in the Fifth Power Plan are based substantially on previous Council comments to Bonneville in 2002, 2003, and 2004.¹

The Regional Dialogue process has continued in phases since 2002. The most recent phase of the Regional Dialogue process has been ongoing for the last year and a half. In September 2005 Bonneville issued a concept paper, which provided the background for several months of intensive negotiation and discussion among Bonneville, its customers and other regional stakeholders. During this process, Bonneville, its customers, and other regional stakeholders agreed on a set of objectives that essentially mirror the list of goals in the Council's Power Plan. This culminated in Bonneville's Long-Term Regional Dialogue Policy Proposal in July 2006.

¹ Northwest Power Planning Council Recommendations on the Future Role of Bonneville in Power Supply, Council Document 2002-19, December 17, 2002 <http://www.nwcouncil.org/library/2002/2002-19.htm> ; The future Role of Bonneville in Power Supply, Council Document 2003-18, October 2003 <http://www.nwcouncil.org/library/2003/2003-18.htm> ; and Recommendations on the Future Role of the Bonneville Power Administration in Regional Power Supply, Council Document 2004-05, May 2004 <http://www.nwcouncil.org/library/2004/2004-5.htm> .

The comment period on the policy proposal ended October 31, 2006. The Bonneville Web site currently lists a total of 120 comments received. The Council submitted comments on the proposal stating that the proposal substantially would achieve the goals laid out in the Council's Power Plan and encouraging Bonneville to continue to negotiate for more complete agreement among the participants without sacrificing the essential characteristics of the policy.

Intensive negotiations are continuing in many areas. There are very difficult technical, legal, equity, and policy issues involved. Among the remaining areas of contention are settlement of the residential exchange, service to direct service industries, and provisions for cost control and dispute resolution. Bonneville's schedule called for issuing a final policy and record of decision in January 2007. I do not know if that schedule has been revised since the comment period was extended from September 29 to October 31.

Bonneville and its customers are working hard on implementation of the policy even before it is finalized. A series of workshops has been scheduled through May 2007 to work on implementation and contract details. This continuing intensive work may indicate that optimism is warranted that the region will ultimately succeed in achieving the needed changes in Bonneville's role.