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July 25, 2007

## MEMORANDUM

**TO:** Council Members

**FROM:** Terry Morlan

**SUBJECT:** Bonneville's Long-Term Regional Dialogue Policy

On July 19, 2007, Bonneville released its long-awaited Long-Term Regional Dialogue Final Policy. Also released was the Record of Decision on the policy (326 pages) and a fact sheet, which is attached, that summarizes the policy.

The somewhat bland name "regional dialogue" belies the significance of this document. It represents the largest change in Bonneville's role in the regional power system since the passage of the Northwest Power Act. If successfully implemented, it would largely accomplish the recommendations in the Council's Fifth Power Plan regarding the future role of Bonneville.

For the first time, it addresses the problem that public utilities that buy power from Bonneville never directly bore the cost of their own load growth, and, therefore, never saw the real value of improved efficiency of electricity use. The regional dialogue policy would place the responsibility of incremental resource decisions directly on individual utilities and they would gain the value from good decisions, or experience the cost of bad decisions.

The Council should understand that this policy sets the direction that Bonneville wants to go, but that its implementation is far from assured. Success depends on the resolution of several important issues, translation of the policy into new 20-year contracts, development of detailed implementation policies and procedures, and the ability to settle some provisions of the Power Act, which has been called into question by recent court decisions.

Mark Gendron, Bonneville's Vice President for Northwest Requirements Marketing, will discuss the Regional Dialogue Policy with the Council and answer your questions.

### Attachments

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