

Raft River Rural Electric Co-op
Public Comments on Regional Dialogue
August 2006

- Thank you for the opportunity to comment today and participate in this very important process. I am Heber Carpenter, with Raft River Rural Electric Cooperative located in Malta Idaho. We are a preference customer of BPA and have been involved with the policy issues surrounding the post-2011 contract process for several years. The decisions that are being considered today will have lasting affects on our communities and their supplies of electric energy in the future.

General Comments

- First, I'd like to commend the BPA staff and all of the customer representatives who worked hard over the last couple of years to get us to where we are now. This is a critical issue to the region in order to stabilize the benefits of the federal system into the future.
- We agree with the general principle laid out that limits BPA's embedded cost sales to the existing Federal Base System and charging for service beyond this at the incremental cost of new resources. This confirms a direction advocated by us and is consistent with past and present directives of the Northwest Power and Conservation Council and others.
- Various elements of the proposal such as allocation, cost control, cost separation and contract enforceability, must work together to ensure success. Clarifying customer costs and power supply options should help stabilize BPA's rates and allow better analysis of the full array of regional resource options. While the cost control and dispute resolution sections of this proposal need to be strengthened, we are ready to work with you to try to create a viable approach.

Service to Publics

- In general we are pleased with the proposal's section on how the level of access to tier 1 power will be determined for preference customers. By including most of the proposal that was agreed to within the Public Power Council discussions, BPA recognized the importance and equity of using load data that is as up to date as possible, while still allowing time for planning.
- In this area there are several topics where we may have questions as the process and discussions proceed:
 - The extent to which groups can operate as a pool is very important to us. As small utilities we need the ability to join with others to share the risks of developing and integrating new resources.

- Utilities need firm assurances that tier 1 and tier 2 costs can be defined and segregated.
- All utilities costs should be assigned in a uniform and consistent manner irrespective of the BPA product offering that is selected.
- Capacity of the current FBS should not be used to subsidize integration of new intermittent resources at the expense of tier 1 purchasers. New resources should be developed on their own merits and not be subsidized by rate payers that do not receive any of the benefits.
- BPA, through their policies, should encourage arrangements such as power exchanges and other transactions that help the region secure needed generation and make better use of the transmission system that continues to be constrained.

Slice:

- Under allocation, it is important that BPA offer adequate power products in forms that will best support the need of utilities now to assume the primary responsibility for meeting load growth. Of the products currently in place, Slice is inherently well-suited for operating under an allocated system since it provides the greatest flexibility for developing and integrating new non-federal resources. Slice also seems to provide the most flexibility for operational pooling for groups of utilities that wish to combine their operations for day to day power management.
- We are concerned that the proposed version of the product may have customers continuing to pay for a percentage of the system output, with all of the associated risks, but that they will not receive a full amount of the capacity in return. Rather than weakening the product with restrictions on flexibility, the Slice product should be strengthened in order to make an allocated system work for all.

Other Costs in Tier 1

Even after recognizing the legal and political realities, it appears that the costs loaded into Tier 1 in this proposal are excessive. Examples:

- Formation of New Publics. Previously, we suggested that BPA might maintain a relatively small "set-aside" which could be used on a first-come first-serve basis to serve new preference customers formed during the new contracts. However, 250 aMW sounds larger than needed and could represent a significant cost to current customers.
- Residential Exchange Customers of Investor-Owned Utilities: The proposed method for tying a residential exchange settlement amount to the difference over time in costs between public and private utilities makes sense and should lay the foundation for an agreement here. We understand this point may be the biggest hurdle in achieving regional consensus however, the starting point offered by

BPA of \$250 million is too high in light of the history and unsustainable due to the burden it would place on consumer-owned utility customers.

- Direct Service Industries: BPA offers a range of possibilities in the policy proposal from no service to a large amount of power delivery to DSIs. Our position has been that BPA is not obligated to provide power to a DSI and lacks legal authority to subsidize rates for DSI service. While we appreciate the challenge the BPA staff faces in trying to create consensus solutions on this issue, the appropriate choice is no service post-2011 because the economic hit to the regions consumers outweighs and outnumbers the jobs helped through the subsidy.

Transfer Service

- Under an allocation of the federal power system output, the ability to move non-federal power to load on a basis equivalent to federal power deliveries will be essential.
- The Transfer Service section faithfully captures the GTA discussions with customers earlier this year. Several parts of this policy can and should be implemented now rather than waiting for finalization of the Regional Dialogue process.
- There are a few issues that should be reconsidered. For example, BPA should index to inflation any dollar amount cap which goes over the 20 year period. It should also clarify that payments would be made **up to** \$7/MWh for transfer service even when the costs exceed that cap. And, BPA should cover losses for non-federal power which qualifies for BPA's reimbursement of its wheeling costs in order to make this comparable to the treatment of Tier 2 power to these utilities.

Again, thank you for this opportunity to appear. We look forward to working with you on the many details yet to be determined.