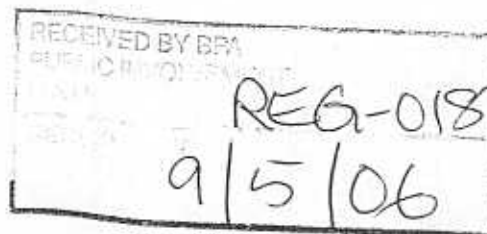


August 27, 2006

Bonneville Power Administration  
Power Business Line  
Regional Dialogue Policy Proposal  
P.O. Box 3621  
Portland, Oregon 97208-3621



Ladies and Gentlemen:

I wish to submit the following comments on the Regional Dialogue Policy Proposal, dated July 13, 2006.

First, the Bonneville Power Administration (BPA) should consistently maintain and defend the basic policies which are spelled out in the Bonneville Act of 1937 and subsequent legislation. Specifically that means first, that the federal government will continue indefinitely to operate the existing federal multiple-purpose water resources projects on the Columbia river and its tributaries. Second, that the BPA will continue to build, maintain, and operate its high-voltage transmission system to serve the entire Pacific Northwest Region. Third, that electric power will be sold at cost. Fourth, that at all times the BPA will give preference and priority to consumer-owned and operated retail distribution utilities. Fifth, that rates will be uniform throughout the region—(postage stamp rates as opposed to railroad rates).

Second, the proposal to maintain a first tier pricing level for the existing federal system is a sound one. The policy of giving each preference customer a high water mark load upon which it can count for firm power from the federal system and the procedure you outline to determine the high water mark also are sound. However, I would recommend that BPA retain the right to expand the federal base system by acquiring new “green” generating capacity. I would expect that to be mostly wind, but there may be some solar. I would also count hydro electric power as “green” and thus enable Bonneville to grow the federal base by the acquisition of new hydro or by the acquisition of existing hydro in the region.

I am especially concerned about the consequences for the Regional Dialogue of an initiative measure, I-937, which will appear on the general election ballot in the State of Washington in November, 2006. That measure would require all distribution utilities with more than 25,000 customers to purchase “eligible renewable resources” for 3 percent of their loads by 2012, 9 percent by 2016, and 15 percent by 2020. Hydroelectric power cannot be counted as a “renewable” resource under the provisions of the initiative. Utilities which do not comply with these arbitrary goals will be fined \$50 for each megawatt of non-compliance.

If it were to be approved by the voters in November, the initiative raises several questions for the Regional Dialogue. First, most of the "renewable" resources are likely to be wind. The wind farms are likely to be in eastern Washington. The principal purchasers will be consumer-owned and investor-owned utilities in the Puget Sound and Portland-Vancouver metropolitan areas. The only way to deliver the power will be over the BPA grid system. Is the BPA grid capable of moving such quantities of additional intermittent power without major additional construction? What additional construction would be needed at what cost?

A second question for the Regional Dialogue posed by I 937 is the need for additional power by the larger preference customers like Clark and Snohomish. They are depending on BPA for part of their loads and will be understandably reluctant to give up entitlement to firm BPA power in order to meet a goal for expensive wind power. It makes no sense for BPA preference customers to surrender a low-cost renewable resource of hydroelectric power to purchase high-cost intermittent wind generated power.

I therefore suggest that consideration be given to BPA becoming the primary purchaser and shaper of the new wind, solar, and other intermittent energy which becomes available, rather than having many distribution utilities trying to meet arbitrary load proportions, get that power shaped to their load needs, and perhaps being obliged to substitute intermittent power for reliable BPA hydro.

I would also suggest that BPA consider melding all wind, solar, and other intermittent power which it acquires into the base federal system at the PF rate. Consideration could also be given to marketing these new sources at the second tier rate level.

I also recommend that consideration be given to exercising the recapture provision of the 1920 Federal Power Act so that when licenses expire on existing licensed hydro projects in the region that BPA consider acquiring and operating such projects as additions to the federal base system. This is especially applicable to the major licensed projects on the Columbia, in particular Wells, Rocky Reach, Rock Island, Priest Rapids, and Wanapum dams and also the three Idaho Power Company dams on the Snake river in the Hells Canyon stretch. These projects have regional significance and the benefits from them in the long run should be available to the entire region through the federal base system. I realize that such a proposal is very controversial, but I think that in terms of long-run public policy that such options should remain open.

Third, the proposed pricing and rates for PF Service seem well worked out. I have no comment on the Slice Product.

The residential exchange presents a problem for fairness. Ideally, all distribution should be by public agencies so that no investor-owned utilities would be involved. A settlement along the lines proposed in the Regional Dialogue seems the best solution. As a path to eliminating the exchange program and saving the expenses of administering it, the proposal appears sound.

Continued service to the Direct Service Industries should be carefully reviewed. None of the other power marketing administrations have ever had power to serve DSIs. Indeed, they have never been able to do more than offer partial load carrying to preference customers. The preference customer load now approaches the availability of the federal base system. After 2011, BPA needs to tell the DSIs that it can acquire power for them, but only at the Tier 2 price. However, if a DSI is willing to use interruptible and secondary power, provision should be made to accommodate it. BPA can thereby market its reserves and use better than minimum flow to everyone's advantage.

I have always regarded conservation as a nebulous concept. The proposal for BPA to help a customer with conservation to offset Tier 2 acquisitions appears to be a sensible way to go.

On Chapter VIII, Renewable Resources, I urge BPA to acquire such resources and add them to the federal base system

No comment on Transfer Service. Resource Adequacy appears to be well conceived, as are Long Term Cost Control and Dispute Resolution. BPA should be sure, however, that it maintains the transmission system in top shape. Don't skimp on good original construction or on maintenance.

Section XIV, Fallback also seems to be a sensible path to follow.

Sincerely,



Daniel M. Ogden, Jr.