

REG-035



September 14, 2006

Allen Burns  
Vice President, Power Bulk Marketing and Transmission Services  
Bonneville Power Administration  
Public Affairs Office – DKC-7  
P.O. Box 14428  
Portland, Oregon 97293-4428

Mr. Burns:

The Port Townsend Paper Corporation mill in Port Townsend, Washington was built in 1928 and has been in continuous operation since it began operations. We continue to be the largest employer in Jefferson County with 315 full time employees. These jobs have an average pay of \$ 52,000/year. We employ another 475 workers in British Columbia and Alberta at our converting facilities. The Port Townsend operation adds about \$ 150 million per year to the local, State and regional economy. Of course the indirect impact on the local economy is much greater. We produce unbleached (brown) pulp and paper that is converted into cardboard boxes, paper bags, and other packaging materials. Most of our sales are outside the region so the \$ 150 million that we spend locally each year is a real benefit to the area. We co-generate about 30% of our electrical needs and have purchased the remainder of our requirements from Bonneville since becoming a DSI in the 1940's, longer than many of the Public Utilities. We operate at about a 90% load factor day in and day out 24 hours a day 360 days a year. We have operated for over 78 years during good and bad market conditions and we plan to be around a lot longer. We have paid our fair share of the costs of the Federal Power system for over 50 years.

Unlike the aluminum companies, who are all DSIs, we are the only pulp and paper company that is a DSI. We compete with other pulp and paper companies (Longview Fiber, Koch, and Weyerhaeuser) that have access to Public power through their local PUDs at rates 20 to 25% lower than the IP rate we have paid to Bonneville as a DSI.

For the Port Townsend Paper mill to operate economically we need the full 17aMW of purchased power as physical power. Unlike aluminum smelters, we cannot scale our operation up or down depending on the amount of electricity available. We either run or we don't.

We believe the contract that we will operate under between October 2006, and September 30, 2011 will serve our Company, BPA, and the citizens of the Northwest well. Having a

reliable, reasonably priced supply of electricity will help ensure that we can keep the mill running and 315 employees working. Good paying jobs are important to the Northwest and are especially important to rural areas like Port Townsend and the Olympic Peninsula. If forced to purchase electricity at market rates Port Townsend Paper would be put at a much greater disadvantage than other mills in the Northwest and the likelihood of closure would increase dramatically. We believe that would be devastating to the communities in our region.

Post 2011 we urge Bonneville to either offer a direct power sale to Port Townsend at a price near PF or provide power to Clallam for sale to Port Townsend as they are doing in the 2007-2011 period. A direct sale from BPA near the PF rate would be preferable as it entails less paperwork and one less contract to administer. A contract length of at least 10 years is also preferable due to the amount of time and energy spent in developing a contract.

Sincerely,



Bruce McComas  
Vice President & General Manager  
Port Townsend Paper Corporation

cc : Charles Forman - BPA  
John Begley - PTPC