



Corporate Headquarters  
PO Box 9777  
Federal Way WA 98063-9777  
Tel (253) 924 2345

April 18, 2006

Steve Wright  
Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

RE: Provision of Benefits to Support DSI Operations

Dear Mr. Wright:

I am writing to inform you of the significant adverse impact to Weyerhaeuser for the proposal that would provide the Direct Service Industries (DSIs) \$59 million in annual subsidies during the 2007-2009 period. If implemented, this proposal would increase rates charged by BPA to Cowlitz County PUD and other public utilities in the Northwest for preference power from the Federal Base System, with a resulting negative impact on Weyerhaeuser Company facilities in the region.

Weyerhaeuser is one of the world's largest integrated forest products companies, employing nearly 53,000 people world-wide, including about 12,000 employees in the Northwest. The 1,800 employees at Longview, Weyerhaeuser's largest manufacturing site in the Northwest, receive over \$120 million per year in salaries and wages, with another \$150 million in payments to contractors. Additionally, Weyerhaeuser Longview pays over \$20 million annually in local and state taxes. As well as being one of the region's largest employers, we are also one of BPA's largest rate payers. We purchase approximately 340 megawatts of BPA power through public utilities and are approximately 5% of BPA's retail load; consequently, any change in BPA's rate structure has a significant impact on our company.

If the proposal to provide DSI benefits goes forward, we estimate that it would increase average costs at our operations by at \$1.00 per MWh. Far from being an insignificant amount, such a change would increase costs at Longview by over \$2 million annually. Over the past 25 years, we have seen our energy costs increase by 560% while the cost we receive for our products has only increased by 50%. Our global competitiveness is severely threatened by escalating energy costs in the region. Foreign competitors would add energy costs such as that resulting from the proposal to their other current long-term advantages of lower labor costs and lower fiber costs. Increases of this sort threaten our ability to remain in business and place at risk the livelihoods of thousands of forest products industry workers throughout the region.

We are certainly supportive of efforts to keep other industries in the region, thus providing jobs and support of the local economies in which they operate. However, we believe that effectively requiring one group of customers to subsidize another is neither sound public policy nor good economic practice. The end use customers of BPA's public utilities provide far more economic benefits to the region than the remaining DSI loads.

Weyerhaeuser Company requests that Bonneville Power Administration not implement a DSI support proposal during the next rate period nor increase rates to all customers in the post-2011 period.

Sincerely,

William Baird  
Vice President  
Newsprint and Liquid Packaging Board

cc: Paul Norman, Administrator, Bonneville Power Administration