



Public Utility District No. 1 of Klickitat County

Owned By Those It Serves

September 29, 2006

To Paul Norman, Senior Vice-President
Power Business Line
Bonneville Power Administration
PO Box 14428
Portland, OR 97293-4428

RE: Additional Comments on Service to Direct Service Industries (DSI's)

Dear Paul:

Thank you for the opportunity to provide additional comments on the issue of DSI service, raised in BPA's Policy Proposal for Power Supply Role for Fiscal Years 2007-2011. Previously Klickitat PUD provided the following comments:

Klickitat PUD believes DSI's should be provided BPA service through their local utility. Comments have been submitted for BPA to reserve 500 MW of this service. DSI's able to receive service from existing BPA preference customers should be able to access this allocation. Additionally, BPA should assist DSI's in integrating new renewable resources to augment this allocation. BPA's role should be to encourage and enable renewable development within the region and to this end DSI's renewable augmentation is both desirable and good public policy for the Northwest economy.

Many utilities have large industrial customers, many of which use as much or more BPA supplied power as a DSI. Klickitat PUD was precluded from directly serving GAC. When Harvey Aluminum, GAC's earliest predecessor, was looking at locating a plant beside the newly constructed John Day Dam, Joe Dressel, KPUD's representative most responsible for accomplishing siting the Aluminum plant there, tried to get service to be provided through the PUD, BPA would not allow it. Instead, BPA allowed the PUD to serve a small amount of power called the wheel turning load, lights and fans that keep the plant going, but not the production load. Now GAC and KPUD are being penalized because of that decision. GAC supports service through the local utility. GAC has proposed what they refer to as a pilot light program, which is enough power to support one pot line, about 100 aMW. This will allow continuous operation of enough base to ride through the tough times and allow expanded operation when market conditions allow. We support BPA's proposal for 500 aMW for this purpose. Allocated across the DSI's 500 aMW should be enough to allow this partial operation while limiting the region's exposure.

We still believe the above comment appropriate and wish to resubmit this along with the following additional comments.

1. The economic need for the operation of the Goldendale Aluminum Smelter in Klickitat County is critical to our communities.
2. We request you design the DSI program in a way that OPERATION and EMPLOYMENT be the base factor for eligibility. It is important to us that the benefit is only realized if the plant is operating with local labor.
3. KPUD has a serious concern about the "tradability" of these benefits between aluminum companies. As there are a limited number of companies eligible, we request you make the maximum MW's company or site specific. This would limit each eligible company to a specific amount. In the event an eligible company fails to meet the requirements, their specified share reverts back to BPA and that amount of MWs are removed from the total. This process would stop the companies with a larger allocation paying the companies with a smaller allocation to NOT RE-START PRODUCTION. If this is not done, the end effect could be the larger company receiving an unfair or all of the DSI allocation. I do not believe the intent of the DSI Allocation is to supplement one company. The key driver for our support of this issue is to benefit the local community and certainly not a company not located within the local area.

We understand the difficulty in arriving at a fair and just decision on this matter. In the event we can be of assistance in any way, please do not hesitate to call us.

Klickitat County is in a deep economic recession and needs all the help it can get. The political reality is these family wage jobs are an economic necessity for our region. Long time residents as well as our young people are forced to leave the area to seek a career. We support BPA's efforts to provide some base for which to see these smelters remain a viable part of our region. To that end, BPA needs to continue down the path of finding a good long-term solution to serving the DSI's.

Sincerely,



Tom D. Svendsen, P.E.
General Manager