



Oregon

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 06-0151
RECEIPT DATE: 10.23.06
DUE DATE: 11.06.06



OREGON
DEPARTMENT OF
ENERGY

625 Marion St. NE
Salem, OR 97301-3737
Phone: (503) 378-4040
Toll Free: 1-800-221-8035
FAX: (503) 373-7806
www.Oregon.gov/ENERGY

October 23, 2006

Steve Wright
Administrator
Bonneville Power Administration
PO Box 14428
Portland, OR 97293-4428

ASSIGN: DKR-7
cc: FO3, DKN/Wash, DK-7, KHunt-DKR-7,
AMorrow-DKR-7, P-6, PT-5, Helen Goodwin-PS-6,
Larry Kitchen-PTL-5, CAEs

Re: Bonneville's Long-Term Regional Dialogue Policy Proposal

Dear Mr. Wright:

Thank you for the opportunity to comment on the Long-Term Regional Dialogue Proposal, dated July 13, 2006. The Oregon Department of Energy thinks Bonneville did a commendable job with a difficult and contentious issue. We think the overall thrust of the proposal is reasonable and close to the mark on the key issues, although some specific details may still need refining.

In that spirit, we would like to offer the following comments on a few issues that are of particular interest to Oregon.

1. **Conservation.** It is critical that BPA achieve all cost-effective conservation in the Tier 1 loads it serves. The basic approach BPA has outlined regarding conservation is reasonable, and Oregon supports Bonneville's commitment to meet its share of the Council's conservation targets. However, how BPA implements its policy will determine whether or not its commitment is achieved. Oregon supports the Council's comments regarding conservation. While Tier 2 prices will signal utilities to implement conservation, continued BPA support for conservation will be critical to meeting the Council's targets and extending the capability of the Federal Columbia River Power System (FCRPS). To avoid discouraging conservation in the interim, we suggest that Bonneville consider fully crediting utilities' High Water Marks (HWM) for BPA-funded megawatts.

2. **Renewable resources.** The approach BPA has outlined with regard to Tier 1 renewable resources is reasonable. Oregon thinks it is important that the region transition to renewable resources to avoid the economic and environmental costs of fossil fuel resources. A Tier 2

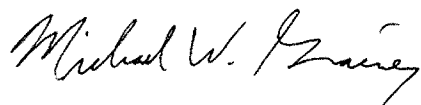
Steve Wright
Page 2
October 23, 2006

renewable product should be available for utilities which need to meet state-mandated Renewable Portfolio Standards (RPS). For utilities that do not need to comply with a state RPS, BPA should nonetheless commit to including a minimum level of renewables in its base Tier 2 product. The resource mix in the Council's Plan should serve as a base in determining the minimum level of renewable resources in Tier 2.

3. **Residential Exchange.** This is one of the major outstanding issues in the proposal. We urge you to follow the direction promoted by Governor Kulongoski in his letter of October 16, 2006.

4. **Cost Control and Dispute Resolution.** These issues are of critical importance to Bonneville's customer utilities. Respecting Bonneville's final decision making authority, it is nonetheless important that BPA's decisions be transparent to utilities and stakeholders and that utilities and stakeholders have the ability to provide input in a structured manner, and that there be an avenue to mediate differences between Bonneville and utilities.

Sincerely,



Michael W Grainey
Director

cc: Council Member Joan Dukes
cc: Council Member Melinda Eden
cc: Anne Morrow, BPA