



REG-093

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October 27, 2006

Mr. Stephen Wright  
Administrator  
Bonneville Power Administration  
905 N.E. 11th Avenue  
Portland, OR 97232

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Dear Mr. Wright,

Please allow this letter to serve as the comments of the Umpqua Indian Utility Cooperative and the Cow Creek Band of Umpqua Tribe of Indians to Bonneville Power Administration's Long-Term Regional Dialogue Policy Proposal. We appreciate the time and dedication of your staff to work with the region and then to compile this detailed and complex proposal for marketing the federal hydropower resources for 20 years beyond 2011. As a tribe with an operational utility which is a full service power customer of Bonneville, we have a clear interest with the policy proposal.

We generally support the proposal's goals of ensuring that the benefits of the low-cost federal system are not diluted by melding unlimited amounts of higher cost power purchases into the system and creating greater certainty regarding the majority of the regional electricity resources.

We encourage Bonneville to establish policies that will truly encourage the formation of tribal utilities and allow utilities that have formed to grow under existing plans. We appreciate the exception in the policy for new "small utilities", however, this step needs further detail and refinement to make tribal utility formation and their long term success workable. Indian tribes generally sacrificed many valuable resources in order to allow for the construction, maintenance and operation of the federal hydroelectric system, yet so many of these tribes are unable to become Bonneville customers because of the complicated steps necessary for utility formation and planned utility growth under Bonneville policies.

We hope that the proposal can also be refined to create additional support for conservation and renewables energy resources. We hope to see Bonneville continue the development of products for the integration of renewables, including the integration of biomass generation facilities. Biomass generation benefits the region by supporting good forest management as well as allowing for generation of renewable electricity. We also support elements of the policy which permit the flexibility of Bonneville utility customers in switch to renewable power, including biomass power, without impacting their high water mark.

The portion of the policy that will most directly impact UIUC is the Transfer Service section. Technical meetings on Transfer Service clearly premised the discussions that all changes in policy would take place in 2011 and be

implemented along with Regional Dialogue. The proposal now changes that premise by saying numerous policy suggestions will be implemented "upon finalization of the Regional Dialogue policy". We are concerned that the early implementation of the Direct Assignment Guidelines could alter our obligations under our existing full requirements contract. The discussion in the working group meetings would have been very different had we known it was the intention to move that implementation date forward. UIUC is currently paying Bonneville's low voltage distribution charge under our contract with Bonneville, which over time will pay off recent expenditures for system upgrades. A direct assignment policy effective before 2011 could require our continued payment of the Bonneville low voltage rate and could also directly assign costs to us. Such a policy could create a large expense for a small utility and require us to pay capital costs for facilities we will not own or have any long term rights to use. This policy change would conflict with the language of our contract.

In addition to the timing problem, we have a number of concerns with the language of the direct assignment guidelines. We are working with your staff to clarify these issues and we will appreciate that the final policy reflects our discussions.

Generally we support the notion that transfer service, including transfer service for new or annexed loads, should be equivalent in service and price to those directly connected to the Bonneville transmission system. We support the general comments of PNGC Power and those particular comments regarding Section B.2 Quality of Service, Section B.3 Administrative Roles and Responsibilities, Section B.4 Ancillary Service Costs, Section B.5 Payment for delivery of Non-Federal Power, Section B.6 Transfer Service for Annexed Loads, Section B.7 Transfer Service for Block and Slice Power Sales Agreements, and Section B.8 Additional Staffing and projected Costs to Implement ARTS. Particular comments on these issues that are most important to us include:

- Please provide a clarification in the proposal of what is considered a "new" transfer service arrangement, including whether replacements or upgrades of existing facilities are considered new arrangements. A clear understanding of how the direct assignment guidelines will be applied in these instances.
- Direct assignment should not be applied when a customer is paying for the facilities as part of their rate. If that is the case, the customer would be charged twice for the facilities. If customers are directly assigned facilities, they should have ownership or at least long term rights to use the facilities.
- We support the concept that if a non-federal resource can be delivered to the control area in which their load is located, BPA should allow and facilitate the transfer of the power under the GTA or OATT Agreement

- as long as the cost is not greater than that for serving load with Tier II federal power.
- Bonneville should not impose limits or caps on the amounts of MW or costs anticipated by non-federal Tier II power to meet load growth. Caps create an incentive to develop resources located only on the federal system.
  - Any Bonneville customer that is not on the federal transmission system should be allowed all rights as a transfer service customer. There is no justification for creating different categories of customers based on their historical status. The date restriction for when points of delivery were added should be removed.
  - A clarification of the annexation policy is also needed. Please make it clear that existing transfer service customers are not part of the 50MW and 250 MW caps, if such caps are retained in the policy. The \$7/mwh cap should be removed since customers have no choice in the development of this rate. There should be no requirement that an annexation be "friendly". There are legitimate reasons for annexing service territory that will not create "friendly" situations. Such a requirement supports the status quo without consideration of all issues in particular situations.

Thank you for the opportunity to be involved in the Regional Dialogue. Please address any questions to Mr. Ron Doan, General Manager of Umpqua Indian Utility Cooperative at (541) 677-5569.

Sincerely,



Ron Doan  
General Manager, UIUC

cc:  
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