

Columbia Falls, Montana
October 31, 2006

Bonneville Power Administration
Public Affairs Office – DKC-7
PO Box 14428
Portland, OR 97293-4428



Re: NLSL Policy, Green Exception

Plum Creek Timber Company (“Plum Creek”) appreciates the opportunity to submit these comments on Long-Term Regional Dialogue Policy Proposal released by Bonneville Power Administration (“BPA”) on July 13, 2006 for public comment. These comments focus on BPA’s proposal to terminate a portion of its New Large Single Load (“NLSL”) Policy, as described on pp. 32-33 of the Policy Proposal.

Plum Creek operates a medium-density fiberboard plant that has been one of the economic mainstays of Montana’s Flathead Valley for over 30 years. Located in Columbia Falls, this plant employs 208 people in an area where family wage jobs are scarce.

Plum Creek was a retail electric customer of Pacific Power & Light Company (“PacifiCorp”) for many years until October, 1998, when the portion of PacifiCorp’s electric distribution system located within Montana was acquired by Flathead Electric Cooperative (“Flathead”), a preference customer of BPA. From October 1998 to October 2006, the Plum Creek NLSL has been served from Flathead’s wholesale power purchases from PacifiCorp.

PacifiCorp chose not to renew the wholesale power contract with Flathead which ended in October 2006, enabling Plum Creek to consider utilizing the “Renewables and On-site Cogeneration Option under the NLSL Policy,” crafted by BPA as part of its Regional Dialogue and announced on February 4, 2005. This is the so-called “NLSL Green Exception Policy.” Under this policy, if Plum Creek could secure enough power delivered from a regional renewable resource or produced at the plant site by a cogeneration resource, such that the net retail load placed on Flathead was less than 10 amW, then BPA would sell wholesale power to Flathead at the PF rate for the residual load at the MDF plant.

The foregoing discussion is presented as background only, providing context for these comments to those at BPA who may not be familiar with Plum Creek’s efforts to comply with the NLSL Green Exception Policy. A prologue to the discussion of the extensive efforts undertaken by Plum Creek, with the able assistance of Flathead, to seek out and acquire the most economically viable supplies of renewable energy in the Northwest – both short-term and long-term -- and to analyze the viability of on-site cogeneration, fueled with biomass.

In seeking out a new power supply, Plum Creek investigated several possible power supplies involving three different renewable technologies: wind power, hydro upgrades and biomass/cogeneration. The geographic range of this search ranged from western Washington to central South Dakota. Plum Creek's investigation covered every criterion specified in the Renewables and On-site Cogeneration Option: transmission availability, resource scheduling and dispatch, intermittent-resource integration and the dedication of resource Green Tags to the Plum Creek load.

In the time available, on-site cogeneration was not possible as an immediate solution. If this had been the only option available at the time, the efforts of Plum Creek and Flathead would have failed and the plant might now be facing the prospect of closure due to the increase in power costs. Fortunately, Plum Creek also had the option of acquiring energy from off-site renewable resources, which it did by means of a power purchase agreement extending into 2008. In the process, however, Plum Creek explored on-site cogeneration as a long-term solution. On-site cogeneration has not been ruled out as a longer-term solution; however, serious questions remain about the viability of this resource alternative, including questions about long-term fuel supplies as restrictions on logging threaten the availability of biomass in quantities sufficient to fuel such a renewable resource.

The lessons to be drawn from Plum Creek's recent experiences are twofold.

1. BPA Should Not Sunset the Off-Site Renewables Portion of Its Renewables and On-site Cogeneration Option.

BPA's Renewables and On-site Cogeneration Option has motivated Plum Creek to become a fairly effective means of helping BPA achieve a part of the regional target for development of renewable and cogeneration resources. Plum Creek took responsibility for all the resource-screening, acquisition, transmission, integration scheduling and dispatch that might otherwise have been undertaken by BPA. Plum Creek must continue to undertake these responsibilities in the future as its initial renewable-resource power purchase agreement approaches the end of its term in 2008. All these Plum Creek activities have been, and will continue to be, undertaken at its sole expense, at no cost to BPA – aside from monitoring Plum Creek's compliance with the Renewables and On-site Cogeneration Option.

To our knowledge, the Renewables and On-site Cogeneration Option is the only program by which end-users of electricity in the Northwest take direct responsibility, and bear the entire cost, for developing and acquiring renewable resources for use in serving all or part of their loads. Essentially, this is a free option to BPA, which it can exercise without risk.

Yet, on page 33 of its Regional Dialogue Policy Proposal, BPA states an intention to phase out off-site renewables as an option under the Renewables and On-site Cogeneration Option:

BPA has reconsidered its policy and in light of the response and other efforts to promote renewable resources in the region, BPA believes a time limit for the off-site renewables option in its current NLSL policy is needed. BPA proposes to sunset its off-site renewable option effective December 31, 2006.

This quoted statement from the Policy Proposal is totally conclusory. No information is provided that would tend to substantiate the claim that “other efforts to promote renewable resources in the region” have eliminated any need for this option.

The Renewables and On-site Cogeneration Option may be only a modest part of the solution. But, in the context of Plum Creek, it is important to bear in mind that the renewable resources it acquired under the Renewables and On-site Cogeneration Option accounts for over 5 amW – not an insubstantial contribution for one end-user to make toward achieving BPA’s annual goal of 100 amW. Policy Proposal, p. 58. There is no good reason why BPA should give up this cost-free and risk-free option of allowing NLSL end-users to shoulder that portion of the burden relating to their loads.

If the off-site renewables option were to be terminated, remaining parts of the Renewables and On-site Cogeneration Option would not be adequate by themselves. As noted previously, the viability of on-site cogeneration for Plum Creek will depend on the long-term availability and economics of commercial quantities of biomass in proximity to Columbia Falls, Montana. This is both an economic and a political variable on which it will be difficult to base any projection of viability for an on-site cogeneration plant, regardless of its otherwise attractive environmental characteristics.

On-site renewable resources would be even more serendipitous for an end-user hoping to utilize the Renewables and On-site Cogeneration Option. For a variety of reasons, Plum Creek has no viable option to install wind turbines or other renewable technologies at its Columbia Falls plant. BPA has already recognized that reliance on on-site renewable resources is problematic at best. In a 2005 record of decision accompanying its Policy for Power Supply Role for Fiscal Years 2007-2-11, the BPA Administrator stated:

“The practical effect of requiring the renewable resource to be onsite is to potentially defeat the encouragement of those resources.” Administrator’s Record of Decision, p. 59.

For BPA’s NLSL Green Exception Policy to work for Plum Creek, that policy must continue to include an option for the development and acquisition of off-site renewable resources. This is the only way by which BPA can preserve this cost-free, risk-free renewable development option for the region.

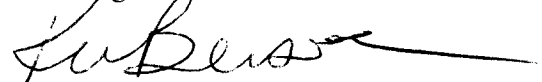
2. Even If BPA Decides to Sunset the Off-Site Renewables Portion of Its Renewables and On-site Cogeneration Option, Entities Such as Plum Creek Should Be Grandfathered So That the Expertise They have already Gained in Developing and Acquiring Renewable Resources Under that Option Are Not Lost to the Region.

There is a very good business reason why Plum Creek's initial renewable-resource power purchase agreement expires in 2008. Plum Creek is a timber and wood products company. Prior to negotiating this agreement, it had no experience in power supply, transmission, resource-integration, power scheduling, or Green Tags. Under BPA's Renewables and On-Site Cogeneration Option, Plum Creek, not Flathead, bears ultimate responsibility for the seller's performance under this agreement and all other aspects of receiving renewable power for consumption at the plant and for the Green Tags associated with that power. Plum Creek did not want to commit to a long-term agreement as it ventured into these abstruse areas for the very first time.

Having negotiated a renewable-resource power contract, Plum Creek continues to gain experience and even now preparing to seek out other renewable-resource opportunities for use when its initial contract expires. Plum Creek's basic position is that BPA should not sunset the off-site renewables option. Even if it does, however, it should expressly grandfather end-users such as Plum Creek that are currently utilizing this option so that their newly acquired experience in renewable-resource acquisition and development does not go to waste. The region would not only lose Plum Creek's resource-acquisition expertise, it could also lose the Plum Creek plant and with it 200 plus jobs in Columbia Falls.

In summary, Plum Creek urges BPA to maintain all aspects of its Renewables and On-Site Cogeneration Option for end-users that are new large single loads. At the very least, it should grandfather all aspects of that policy for end-users that currently utilize.

Best Regards,



Ken Benson
Plum Creek