



Comments of PNGC Power

Regarding the

**Bonneville Power Administration
Long-Term Regional Dialogue Policy Proposal**

October 31, 2006

PNGC Power: Long-Term Regional Dialogue Policy Proposal

Introduction

PNGC Power is an electric power services cooperative that is a customer of the Bonneville Power Administration (BPA) and is owned by 15 Northwest electric distribution cooperative utilities with service territory in seven western states (Oregon, Washington, Idaho, Montana, Utah, Nevada and Wyoming). We are pleased to provide comments on the BPA Long-Term Regional Dialogue Policy Proposal that was released July 13, 2006. We have been working for many years alongside the staff of BPA, the Northwest Power and Conservation Council, and many others in the region to advocate proposals that could achieve long-term contracts and much-needed stability.

While our comments contain concerns expressed about some aspects of the proposal, the base proposal is a significant step in the right direction. PNGC Power supports the basic policy BPA has adopted of limiting its sales of embedded cost power to the output of the existing Federal Base System (FBS) and charging incremental cost for service beyond that level. We appreciate the large volume of work represented by this proposal, we applaud the dedication and hard work of BPA staff in pursuing this effort, and we look forward to working with BPA as the next processes on these topics begin.

We urge BPA to take a broad perspective while considering these comments and the comments of others. BPA's policies in this Regional Dialogue must not only work for BPA, but must also work for BPA's customers as they meet their own load growth. BPA's policies will dramatically influence the pace and scope of new resource development by consumer-owned utilities in this region.

Our comments are presented in two parts. First, we will briefly discuss the major issues in summary form in "General Comments". Then, a more thorough discussion of some issues is attached in a "Technical Appendix".

PNGC Power General Comments

Our comments appear in the order topics are found in the Long-Term Regional Dialogue Policy Proposal.

President's Budget Proposal

PNGC Power has consistently opposed the proposal to use power sales revenues to make early debt payments. In general, pursuing this deficit reduction proposal on the backs of Northwest ratepayers is inequitable and is bad policy, and we appreciated the actions of the Northwest Congressional delegation to defeat the proposal earlier this year.

It was estimated that the proposal would raise rates by ten percent. According to a study by the Northwest Power and Conservation Council, the President's Budget proposal regarding use of BPA revenues would remove \$145 million annually from the Northwest economy and cost the region 1,120 jobs. Areas of the Northwest served by power from BPA tend to be in places particularly vulnerable to rate impacts where the economy is already unstable. This rate increase would have come at a time when the Northwest continues to struggle from the rate increases that started in 2001.

All of BPA's costs are paid by ratepayers, not taxpayers. BPA's customers pay down BPA Treasury debt on time and with interest. This year's payment to Treasury was \$1.113 billion.

We have yet to see a substantial justification for the shift in payments that this budget proposal would impose. If there is a need for additional borrowing authority, that need should be discussed thoroughly with customers and the Congressional delegation in the appropriate venues.

That said, PNGC Power would be interested in learning the answers to several questions that have been raised about the specific aspects of the proposal and the objectives behind the proposal. In addition to some of the questions already posed regarding rate impacts of the proposal, we would like to have more detail about potential shifts in costs and benefits between BPA's power customers and its transmission customers as part of any future discussion around this topic. We stand ready to work with BPA and others in the Administration to create policies that can be mutually beneficial to customers and the federal government.

Service to Public Utilities (Regional Dialogue Section III)

General

PNGC Power generally supports the broad construct in the Regional Dialogue for limiting sales at BPA's lowest cost-based rate: using High Water Marks (HWM) as the dividing line for a Tiered Rates Methodology (TRM). We were involved extensively in the discussions within public power to refine the outline of this construct over the past two years. In fact, our comments to BPA in June 2005 emphasized the need to move to a method that used more timely and accurate load and resource information than would be applied under prior proposals that used 2002 information. In general, the proposal in the Regional Dialogue provides an equitable approach, while still allowing time for resource planning. There are certain themes that PNGC Power requests BPA keep in mind as it considers the Regional Dialogue direction.

Separation of Tier 1 and Tier 2 costs

BPA recognizes that this proposal does not represent a true allocation of its resources. Rather, it is a rate methodology which is used to approximate the impacts of a true allocation. As such, BPA should take care to build safeguards into the methodology to separate Tier 1 costs from those of Tier 2. The success of the contracts offered as a result of the Regional Dialogue will depend on a clean, clear, and transparent separation of costs between Tier 1 and Tier 2.

Durability of Contracts and Rate Methodology

With this in mind, it is imperative that the Tiered Rates Methodology be put in place as soon as possible so that customers can evaluate the risks of various purchase strategies for meeting their

load post-2011. The TRM should be put in place and approved by FERC prior to the offering of Regional Dialogue contracts.

Likewise, the Regional Dialogue contracts should limit BPA's flexibility to change the value of the products offered or change the TRM so as to alter the value of Tier 1 during the term of the contracts. If we consider these contracts like any other resource purchase, we should be able to enter into clear, concise contracts against which we can make decisions about how to meet load over the High Water Mark (HWM). While this may cut against BPA's traditional approach, reasonable limitations on BPA's flexibility in both the TRM and the contracts are key to making this proposal work.

Equal Value to all Products and Customers

With respect to products, the Regional Dialogue Record of Decision (ROD) should contain high level principles regarding products and avoid going into detail about specific products. There is a separate and subsequent product design step in implementation to develop the detailed product information. If the Regional Dialogue ROD is too detailed in some products, it may unintentionally create an unworkable product. TRM and product development should occur simultaneously so that the rates and products work together as a package.

Equally imperative is that the products offered provide equal value to customers. The annual HWM concept is a fair way to go about equalizing value among customers and across summer and winter peakers. BPA must ensure equivalent value among the product offerings. If product specifics are to be included, it should be clarified that Slice customers receive flexibilities equivalent to those BPA retains to meet load following requirements (see also: Slice product comments attached).

Product Design and TRM must work with new Non-federal Resource Integration

We urge BPA to take a broad perspective while considering these comments and the comments of others. BPA's policies in this Regional Dialogue must not only work for BPA, but must also work for BPA's customers as they meet their own load growth. As an example, if BPA adopts a 5 year commitment period for any Tier 2 product, this will have a chilling effect on resource development by smaller utilities. Many resources can be developed in 2-3 years. Without a Tier 2 bridge product of shorter duration, the commitment period for Tier 2 will not match the needs of its customers for shorter term products as they develop new resources. While a 5-year commitment may be easy for BPA to manage, it does not facilitate customers' needs in developing their own power supplies for load growth. Also, over time, the nature of the market will change. Tying down the shape of Tier 2, minimum duration of product, and notice periods in a ROD is unnecessarily tying BPA's hands over time. These sorts of details should not be included in the Regional Dialogue ROD, but left instead to subsequent forums.

The products that are developed and the TRM must be compatible with the development and integration of new non-federal resources. BPA should create Tier 2 offerings in a much more market-oriented way than it has so far. BPA should offer short-term Tier 2, limited duration Tier 2 products, possibly even seasonal products, as well as the ability to take Tier 2 and a non-federal resource at the same time to meet loads above the HWM. For example, if a BPA customer wants to buy Tier 2 for only 3 years while it develops a non-federal resource, BPA

should provide this Tier 2 product for such term. On the flip side, a utility may want to go completely non-federal for Tier 2 for the first 8 years and then buy Tier 2 from BPA (with proper notice) for the remainder of the contract. BPA needs to include the flexibility to develop these types of products as it takes the next step of product development. The Regional Dialogue proposal should only acknowledge the need for flexible Tier 2 service in the ROD but not define the various products. Tier 2 product development should remain flexible over the contract period. The ROD should provide the acknowledgement of this need over time.

Resource integration products should be offered and priced separately. This will not only make requirements product development more tractable, but will also help keep the distinction between Tier 1 and all other products clear.

In the contracts implementing the Regional Dialogue, BPA's Tier 2 products should be under exactly the same notice requirements for addition or removal as non-federal resources. This will put the choice for BPA's Tier 2 or a non-federal power product on the same footing and not advantage Tier 2 vis-à-vis non-federal resources.

Transmission Issues Should Be Addressed Quickly

There are a number of critical transmission issues that need to be addressed – some are one-time concerns associated with signing new contracts; others are more systemic, dealing with the lack of available transmission capacity (ATC) on the Federal Columbia River Transmission System (FCRTS). BPA needs to engage as an agency, with both sides of the house, on these issues. It will be impossible for customers to make informed choices about future load service without the pressing transmission issues being answered.

Top issues on the transmission issues list are the following:

Short Term – a logical, non-risky, non-burdensome way for Network Integration Transmission (NT) customers to retain the transmission rights they have when they sign new contracts for federal power. For example, if the source of power remains federal but is simply provided under a different contractual mechanism, there should be absolutely no change to transmission rights, nor any need to get in a queue for transmission capacity. Put simply, if a utility is under its HWM and retains federal power as a source regardless of product, there should be neither a diminution of NT rights nor any burdensome process to retain the rights currently enjoyed by a customer.

Non-Federal Resources for NT loads – NT customers ought to be able to bring in non-federal resources when there is no ATC available using the NT limits and the flexibilities which exist in the Memorandum of Agreement (MOA) between BPA's Power Business Line and its Transmission Business Line so long as the customer is willing to have the non-federal resource redispatched. The MOA is good for BPA's customers; we need only extend its benefits to all NT non-federal resources that cannot otherwise obtain ATC to equalize the options between federal Tier 2 and non-federal resources.

Shortage of ATC in general – Bringing on new non-federal resources will be very difficult given the current dearth of ATC in many places on the system. BPA should actively work to put some

margin back in the system and create capacity on the most constrained paths. The region-wide transmission problems that spurred IndeGO, RTO West, GridWest, and ColumbiaGrid have not gone away. BPA should continue to find ways to achieve region-wide transmission expansion planning (and enforceable cost allocation for such expansions), re-integration of resource and transmission planning, common queues and study process for new requests, and single region-wide ATC calculations, to name a few.

Joint Operating Entities and Pooling of Net Requirements

Smaller utilities do not on their own have the load or the staff or financial resources to develop new resources. All over the country small utilities have banded together in various configurations to serve their power needs jointly. As BPA implements policies with the intent of encouraging its customers to meet their own load growth, it needs to adopt policies that foster this goal. Making the Regional Dialogue policies work for utilities who have banded together for this purpose is in BPA's and the region's interest. Again, BPA needs to take the broader view of what works to foster "adequate infrastructure development" which "is essential to reliable future power supply." (Regional Dialogue, page 4) This pooling section in particular is where BPA can demonstrate its commitment to these larger goals.

The Regional Dialogue should recognize that Joint Operating Entities (JOEs) have made substantial investments to develop the infrastructure and staff capabilities to plan, operate, and contract for power as a single entity. HWMs should be established on an individual utility basis in the first instance. If however, individual utilities declare themselves part of a JOE, BPA should allow the combining of such HWMs for subsequent planning and operations to occur on a pooled basis, including determination of net requirements for determination of Tier 1 service, declaration of any Tier 2 amounts, within rate period operation of any product, resource planning, transmission operations and contracting, and power sales contracts.

Not allowing pooling of net requirements as a measurement against HWM removes from a JOE a critical source of risk mitigation in the form of load diversity. Load diversity is what makes a JOE work. JOE members share risk of resource performance and load variation. Removing one side of the equation, load variation, seriously reduces benefits to JOE members and reduces their ability to operate efficiently.

As a JOE acquires resources over time, these resources will be attributed to the JOE's net deficit. To require continuing measurement against an individual utility's net requirement implies making individual non-federal resource declarations, when in fact new resources will be acquired on a pooled JOE basis. In order to facilitate JOE operations, all aspects of planning and operation should be pooled post-2011. The clear intent of the JOE law must not be subverted with arbitrary administrative rules. We look forward to BPA's favorable reconsideration on this issue.

Conservation

BPA's conservation policy, programs and the attendant costs for those activities need to reflect the essence of the Regional Dialogue proposal: individual utilities are responsible for meeting their load growth and in doing so should face the full cost of meeting that future load growth. This approach gives the individual BPA customer every incentive to seek the most cost-effective

means for meeting that future growth without the payments from BPA's other customers. Keeping with the intent of the Regional Dialogue, BPA should begin to ramp down its conservation programs so that they are discontinued by October 1, 2011.

Should BPA be compelled to offer conservation programs for the post-2011 period, they should be provided as a Tier 2 product, at cost, to utilities who wish to purchase this service from BPA. There should be a clear separation of these costs so that there is no subsidy possible from Tier 1 to support Tier 2 services.

BPA proposes to make additions to utilities' HWMs for conservation achieved from FY 2007 through FY 2010 that is cost-effective and verified. BPA's approach would count 100 percent of utility self-funded conservation and 50 percent of BPA-funded conservation.

PNGC supports a time frame of FY 2007 through FY 2010 as the period for which counting conservation could increase a utility's HWM. We agree that conservation in the 2002 through 2007 time frame should not increase a utility's HWM.

BPA distinguishes between "self-funded" conservation and "BPA-funded" conservation. We find that distinction to be strained in that BPA funding comes from utilities' ratepayers and for all intents and purposes is self-funded. Smaller utilities may not have resources to "self-fund" additional conservation and may be disadvantaged in the zero-sum allocation of high water marks by larger utilities under the Regional Dialogue proposal. PNGC Power recommends that all conservation activities done in the 2007-2010 period be treated equally with respect to counting for a utility's HWM. Both types should receive a 50 percent credit for adding to a utility's HWM determination.

There's Not a Moment to Lose

In order for utilities to have the structure they need to investigate and commit to non-federal resources, it is imperative that BPA establish its obligation to serve Tier 1 and options for serving Tier 2 loads as soon as possible. The Regional Dialogue proposal is a good starting place for defining BPA's obligations. BPA should commit to the general outline contained in the Regional Dialogue proposal quickly, and then work in subsequent forums to define the specifics of the product design, HWM mechanics, TRM, and section 5(b)/9(c) policies. In order to start evaluating and acquiring non-federal resources, we support the staff notion of starting work this year on these topics with resolution in 2007.

Slice Product (Regional Dialogue Section IV)

The current Slice product provides important benefits to the region not the least of which is spreading the risk inherent in a hydropower-based system. In the future, a viable Slice product will be important to the success of the broader objectives of the Regional Dialogue Policy while maintaining the objective of avoiding any negative impact upon other customer groups.

As mentioned above, PNGC Power questions whether this policy document is the time to flesh out all of the details of each power product. The Regional Dialogue provided detail on only one product: Slice. If the final proposal is to contain similar detail on the Slice product, than we

would urge several changes. *We associate ourselves with the detailed comments submitted by the Joint Slice Customers. For quick reference, we have attached those details in our Technical Appendix.*

PNGC Power appreciates the effort by staff of BPA and the various utilities that led to creation of the current Slice product. We agree that some minor changes can make the product work even better, and we look forward to working with BPA staff to continue to hone implementation of the product. However, we believe the Long Term Regional Dialogue Policy Proposal (“the Proposal”) proposes changes that appear to be trying to “fix” elements of the product that are not broken. These proposals would alter the nature of the product, reduce its attractiveness in the future business construct, and will make the product less useful to customers who want to develop and integrate new, non-federal resources.

In brief, our concerns are in three areas of the Regional Dialogue that threaten the viability of the product: (1) BPA’s proposal departs from the basic concept that the Slice product is a contracted percentage of system capability in exchange for a payment of the same percentage of system costs. The proposal lessens the very flexibility that BPA enjoys itself and that makes the product work; (2) The proposal strips further value by removing the ability to self supply ancillary services such as operating reserves (OR) and energy imbalance (EI) in the future Slice product; and (3) The proposal arbitrarily limits the availability of the Slice product to a specific percentage amount for the next contract period. These matters should be corrected if product details are included in the final Record of Decision for this policy.

Benefits to Investor-Owned Utilities (Regional Dialogue Section V)

PNGC Power notes that the level of those benefits to Investor-Owned Utilities has recently risen to levels that are out of the historical norm and are unsustainable due to the burden they place on consumer-owned utility customers. Those levels resulted from settlements that do not align well with the law and the section 7(b)(2) rate test that mandated that preference customers not suffer any adverse economic consequences as a result of creation of the residential exchange. As a general matter, we favor returning the levels closer to the historical average, and adjusting them over time in ways that closely correlate to the relative cost of power to specific utilities as intended in statute.

As of this writing, settlement discussions continue in order to try to create an agreement that both preference customers and investor-owned utility representatives believe is equitable. PNGC Power has participated in those discussions because we believe that a properly structured settlement would meet the needs of power customers and enhance regional stability.

Along these lines, the general structure of the proposal made by BPA in the Regional Dialogue draft, especially the formula used by BPA, might be a direction that has potential for a settlement. However, if this approach were to be used, we believe it should include a lower dollar figure for a starting point than the \$250 million proposed.

We do not agree with comments by the state public utility commissions and others that benefits to residential and small farm customers of investor-owned utilities should be higher merely

because prior settlement formulas pushed those benefits higher. In fact, because rates for customers of some preference utilities are now as high, or higher, than those of some investor-owned utilities, a proper interpretation of the intent of the law might lead to benefits much lower than current amounts. Regardless, it is in the interests of all parties to achieve a settlement of this matter. We intend to keep working as long as possible towards a reasonable settlement.

Service to Direct-Service Industries (Regional Dialogue Section VI)

PNGC Power appreciates the challenges BPA staff face in trying to create a consensus resolution of this issue. However, we believe that both the law and the facts relating to regional economics indicate that BPA should discontinue service to these entities.

The report commissioned by BPA for this process, the “Regional Employment and Economic Impact Study”, was instructive in some respects (See http://www.nwcouncil.org/news/2006_08/DSIreport.pdf). For example, on page 25 it concludes that discontinuing the subsidy to the DSIs in the long term would cause “no significant drop in regional employment and income.” This is because of the resiliency of the regional economy and because the amount of the subsidy could otherwise be used to lower utility power rates and keep or create jobs in other sectors.

It is striking that, when looking at the direct job impacts of BPA serving the DSIs (not counting the non-DSI job loss on the one side or the supposed indirect job benefits on the other side), the above study shows a cost to BPA customers of \$88 million when the price of power is \$50 MWh. With a short-term job impact to DSIs of 1231 jobs, this is a subsidy of over \$71,000 per job (p. 20-21). While there may be some localized short-term benefits, the broader cost to the region’s economy of a DSI subsidy argues against its continuation. Of course, the subsidy per job would get even higher as market prices for power increase.

Another study submitted for the record conducted by Hamilton and Robison showed that a subsidy of \$150 million would cause a loss of 2800 non-DSI jobs (See p. 18 http://www.bpa.gov/power/pl/regionaldialogue/economic_impacts_of_reduced_dsi_electricity_rates.pdf). In light of the service territory served by PNGC Power’s member utilities, we have great concern for the impacts that such a subsidy has on all ratepayers, especially those in rural areas. The impact of any rate increase is particularly pronounced in regions where high levels of electricity usage for purposes such as irrigation or refrigeration are key components of the health of the community.

The position of PNGC Power with respect to BPA service to Direct Service Industries (DSIs) is that BPA is not obligated to provide power to a DSI and lacks legal authority to subsidize rates for DSI service. In addition, BPA should not subsidize or provide credit support for development of generation by current or former DSIs or affiliates. Issues surrounding DSI service during the 2007-2011 period are still in litigation as of this date.

As we have stated before, PNGC Power would support BPA, after serving all preference customer loads without augmenting the federal base system (FBS), selling a limited amount of FBS firm surplus power, if available, to a DSI at an unsubsidized IP Rate if the DSI has met all

of its financial, bad debt and other obligations under its subscription contracts and provides robust credit support. Any surplus firm power should be offered for one rate period at a time. BPA should not augment its system to serve a DSI unless the DSI pays the full cost of the additional resource. If continued DSI operation in the region is considered good public policy, any necessary governmental subsidies should be borne by U.S. taxpayers, not Northwest ratepayers.

Conservation (Regional Dialogue Section VII)

Please see the PNGC Power comments located under Service to Publics, Conservation.

Transfer Service (Regional Dialogue Section IX)

The Regional Dialogue (Regional Dialogue) is BPA's attempt to define its future role and obligations in the region. As the largest power supplier in the region its actions have enormous impact on the course of resource development and the entire energy future of the region. Therefore, BPA should be mindful of its policies not only with respect to their direct impacts on BPA's obligations, but also with respect to consequences that BPA's policies have on other resource development and our energy future in general.

With this in mind, BPA has stated that it wants to "sharply limit any new power purchase costs that would be included in the Tier 1 . . . and give BPA customers strong economic incentives to invest in new resources." (Regional Dialogue, page 2) By BPA limiting its role and allowing utilities to take responsibility for power needed for their own load growth, BPA establishes the framework to ensure a more robust, diverse energy future for the region.

The transfer policy section of the Regional Dialogue has continued to receive thought and attention throughout this comment period. Our understanding of the consequences of the Regional Dialogue on other resource development has continued to grow and deepen. Given the desire, both by BPA and by its customers, to see a robust energy future with many players and diversity of location and fuel source of resource, we join IDEA and PPC in asking BPA to amend the Transfer Service section of the Regional Dialogue proposal. The underlying premise which we would like to see incorporated into the Transfer Service section is this:

If a preference utility can get a non-federal resource to the edge of the third-party system which serves its load (GTA or OATT), then BPA will pay such GTA or OATT costs to move this resource to that utility's load.

If this general notion is adopted, it will go a long way toward accomplishing BPA's Regional Dialogue goals of limiting "BPA's sales of firm power at its lowest-cost based rate" (Regional Dialogue, page 2) by sending BPA customers "strong economic incentives to invest in new resources." (Regional Dialogue, page 3).

There are, of course, many detailed points to be addressed. In the technical appendix to these comments we address the Transfer Service proposal on a section-by-section basis.

Cost Control and Dispute Resolution (Regional Dialogue Sections XI & XII)

Cost control and dispute resolution are all critical to long-term success under new contracts. Especially in the instance of contracts that may be 20 years or more in duration, it will be necessary to create tools that create confidence among utility customers that they will have a higher level of knowledge and input into the costs that they are expected to pay.

While PNGC Power appreciates the steps forward in the Regional Dialogue to formalize the type of transparency and customer involvement that are already in place, we are concerned that this will not be sufficient over the course of these contracts.

We urge BPA to continue to work with the customers to come to agreement around cost control tools creating more direct customer input into the process run by BPA to determine cost levels and cost assignments. One way to promote more direct customer involvement would be to place the revenue requirement into the rate case process. In addition, we have made some suggestions regarding alignment of customer interests in our section on Pricing in the Technical Appendix to these comments.

Similarly, with dispute resolution, we appreciate the progress made not only in the Regional Dialogue proposal, but also in the settlement of the litigation over the Slice true-ups. We believe that settlement provides a model for resolution of some disputes by independent third parties. However, that approach is limited in scope. We urge BPA to continue to work with the customers to reach a more stable approach to resolving disputes long-term. Ideally, the policy should clearly outline the types of disputes that can be made subject to a formal resolution process so that corresponding contractual provisions can clearly indicate those processes during creation of contracts.

Fallback Position (Regional Dialogue Section XIV)

The Service to Publics section represents a good deal of hard-won compromise among public power entities. PNGC Power was active in helping to craft a compromise that could meet the needs of the diverse spectrum of public power utilities. If BPA goes to a fallback position because of a lack of consensus regarding exchange benefits for customers of investor-owned utilities (IOUs), the service to public section should be retained. Public power customers who have statutory preference rights to the power produced by the federal system should not be penalized in the event that political considerations forbid the IOUs to reach any reasonable settlement. We urge BPA to retain this section as a whole in the event of moving to the fallback position.

**PNGC Power
Technical Appendix
to
Long-Term Regional Dialogue Comments
October 2006**

General

We support the basic concept of using a High Water Mark (HWM) in conjunction with the Tiered Rates Methodology (TRM) as a method of securing the benefits of the low-cost Federal power system for BPA's preference customers. The devil is, of course, in the details. It is crucial that BPA not lose sight of the basic goals of preserving the value of the FBS for its public customers and facilitating development of power resources by its public customers. If the details of implementation are too muddled by compromise, the main goals will be compromised. Our comments here are aimed at achieving a real HWM in 2007 that we can plan and acquire power resources to meet our needs over the HWM, real cost separation to preserve the value of the existing FBS in the TRM, products that are usable in conjunction with the market, and facilitating development of new resources by BPA's customers.

Service to Publics (Regional Dialogue Section III.)

Section III.B.2. Mechanics of High Water Marks (HWM)

Step 1 Decide Net Requirement – In this step, BPA proposes to forecast loads for the upcoming period, presumably the rate period. Some utilities have invested substantially to develop sophisticated load forecasting capabilities; others have relied on BPA. If a utility can demonstrate its ability to perform a credible load forecast, BPA should use that utility's forecast. If some utilities want to rely on BPA to perform this extremely important function, then BPA should be willing to do this for a fee. If BPA feels that a utility's own load forecast is unreasonable, faulty, or out of bounds with expected values, BPA should enter into a discussion with that utility and the parties should use their best efforts to agree on a forecast. In all cases, BPA's load forecasting assumptions and methodology should be transparent. Because this forecast becomes the basis for Tier 2 purchases, unresolved disputes should go to a dispute resolution which can be resolved prior to the rate case in which the results will be used. We recommend that this step, which will be done initially and for each rate case be finalized outside of the formal 7(i) rate process and be used as an input into the 7(i) process.

BPA should also work with its customers to develop a mutually acceptable methodology for weather adjustments for heating and cooling load, and a method for adjusting irrigation loads for

abnormally dry or wet conditions. This methodology should be developed in an implementation stage and not be decided in the Regional Dialogue proposal.

BPA should also take into account other government programs which may result in temporary load reductions which could lower a utility's 2010 actual loads. There are some agricultural set-aside programs which will take certain irrigation lands out of production for multiple years (including 2010) but then return the land to service during the contract period. We urge BPA to work with its customers to account for these temporary load reductions which are a result of other federal initiatives.

BPA should also set the rules for resource removal at this stage so that the net requirements number is a solid number. This is important so that we can use the resulting HWM for planning purposes with confidence.

BPA should clarify as quickly as possible any revisions to its 5(b)(9)(c) policy development process so that utilities can plan for resources.

Step 2 Forecast Individual HWMs in FY 2007 -- PNGC supports an early look at net requirements for planning purposes with update to actuals in 2010 for setting HWMs. This early look at HWM needs to be a very firm estimate, true up to load in 2010. We will be using this estimate to plan for and acquire resources needed to meet our load beyond the HWM in 2012. There should be no major movements beyond load true-up which alter this estimate. We reiterate our concern about a methodology for load forecasting expressed in Step 1, above.

Step 3 True-up HWM with Actual FY 2010 Loads -- We believe BPA could come to an agreement with its customers about weather normalization of actual loads, and are ready to work toward that end.

Step 4 Determine Total FBS Available for HWM -- BPA should clarify that for future rate cases the determination of the FBS as well as comparing net requirements to HWMs is done on a forecasted basis prior to a rate case.

Total HWM should be set on the sum of utilities' net requirements for 2010. BPA will determine that amount of augmentation (not to exceed 300 aMW) to meet these loads given the 2010 FBS. Limiting the amount of FBS to a smaller amount because of first year limits on augmentation is a good thing as it results in a lower cost Tier 1 over time. Utilities who do not take their full HWM in the first rate period (starting in OY 2012) may do so in subsequent periods. Any FBS which is not committed through the HWM process should be used first to reduce the amount of balancing purchases and augmentation assigned to Tier 1, and then sold at market and credited against all Tier 1 prices.

Step 5 Resize Individual HWM -- This step should also be done on a rate period basis, even if enumerated in annual increments. BPA should come up with some meaningful and clear name for this step, such as BPA's Tier 1 Rate Period Obligation, or Tier 1 Service Amount. BPA should steer away from using the HWM name in this step.

Step 6 Account for Conservation Achieved -- Per our comments in the summary section, the distinction between treatment of “self-funded” and “BPA funded” is strained in that BPA funds also come from ratepayers. Smaller utilities may not have the resources to “self-fund” conservation and may be disadvantaged in the zero-sum allocation of high water marks by larger utilities under the Regional Dialogue proposal. We recommend that all conservation efforts be treated similarly with both types receiving 50% credit against their high water mark determinations.

- *Use of FY 2010 Resource Amounts* – For purposes of calculating initial HWMs, BPA should use existing resource declarations for 2010 modified for statutorily allowed resource removal as provided in section 5 of the Regional Act. Decisions about what BPA will allow to be removed according to statute should be put in place as part of the process for determining the estimate of HWMs in 2007. This will provide customers with the necessary level of certainty regarding the level of their HWMs and the customers’ potential obligations above BPA’s Tier 1 service. If the 2007 estimate of HWM is to have any meaning, we must have certainty on both the load and the resource side of the net requirements equation.
- *Augmentation Limits* -- The proposal to limit augmentation amounts is key to the compromise which allowed many public power entities to move forward with support of the Regional Dialogue. The limit of up to 300 aMW augmentation is part of the package of compromises. This is also one of the primary protections of Tier 1 as a cost based rate reflecting the costs of the existing system. BPA should be sure to capture this firm limit on augmentation in the TRM, product offerings, and the Regional Dialogue contracts.

One of the technical issues in establishing utilities’ HWMs will be the load forecasts used in that analysis. Of particular concern will be the forecasts for irrigation loads. These loads are difficult to predict and actual loads vary wildly year to year due to the wide variety of weather conditions, such as, temperature, precipitation, wind and soil evaporation. Weather normalization for irrigation loads is significantly more difficult than for other loads and that fact makes using a single year’s forecast for irrigation problematic. Historically, BPA has used an average of several years’ irrigation load data in making determinations on irrigation program issues, for example SSP and IRMP qualifying loads. We suggest that BPA consider using such an approach for irrigation loads in setting a utility’s HWM.

Inherent in the Regional Dialogue paper is the notion that BPA will calculate the load forecasts that are used to set each utility’s HWM. A number of utilities in the region prepare their own load forecasts. In PNGC’s case we prepare a forecast to meet the requirement of the Slice contracts for power and transmission. That forecast is part of a rigorous forecasting approach that is part of our overall approach to managing a 450 aMW power pool. We are concerned that BPA’s approach to forecasting HWM will conflict both in substance and technique with the one that we and other utilities already apply to our business. We suggest that the technical workshops include adequate time for BPA and utilities to discuss and agree on the technical issues and the standards that will apply to HWM forecast and future net requirement calculations.

Section III.B.3. Changes to HWM

First, BPA should clean up the terminology relating to HWM. The initial HWM is always retained as a reference point for future calculations. It only changes if there is a redistribution of HWMs for a new public or acquired (the more correct term for annexed) loads within the limits contained in the proposal. The amount of HWM which can be served with Tier 1 is based on the projected amount of FBS resource. We urge BPA to be clear about the uses of the HWM with concise and consistent terminology.

Section III.B.4. HWM and Pooling – Please refer to our comment on Pooling in our General Comments section.

Section III.B.5. Amount of Power a Customer Can Buy from BPA

The proposal states that a utility's HWM and its "net firm power load requirement" determines how much Tier 1 it can purchase. In subsequent discussions with staff, this has been clarified to be the "forecasted net firm power load requirements" or "forecasted net requirements." BPA should clarify this in this and other sections.

Section III.B.6. Annual Net Requirements Calculation

BPA proposes to make a calculation each year to determine how much a customer can buy in that year. Subsequent discussions with staff have clarified that this calculation would be based on forecasted annual load for each year of a rate period but that it would apply for the whole rate period. In our discussions with BPA staff, it has made sense to all of us to have the process well defined prior to and outside of the rate case. This process would result in amounts of non-Tier 1 service required and amounts of Tier 1 service available. It would include either as inputs or as part of the process (1) the size of the FBS available to serve Tier 1, (2) the outputs of the load forecast and (3) the determination of net requirements. Having this process outside of the rate case frees it from the very onerous procedural requirements of 7(i), and gives all parties, including BPA, time to plan and acquire resources needed for the next rate period. The Regional Dialogue final Proposal should allow the exact timing of the process or processes to be set in subsequent implementation of the proposal.

Please see our comments on load forecasting and rights to dispute BPA forecasts in Step 1 of HWM determination.

Limited resource removal rights within a rate period are a way to manage the uncertainty of actual loads within the rate period and should continue to be included.

Section III.B.7. Relationship Between HWMs and Tiered Rates

This section is the cause of much of the confusion about how the proposal works. This section should either be dropped or clarified that 1) Tier 1 is based on forecasted load and takes the swing through balancing purchases and 2) that, based on that forecast, the Tier 2 amount is set for the duration of the rate period.

Section III.B.9. Rights to Remove Existing Resources

This limit on removal rights of existing resources ensures that customers will get approximately the HWM they had planned on. Allowing customers to remove existing resources could result in significantly lower HWM than expected. BPA should revise its 5b9c policy in time for the initial setting of HWM, and have it in place so we can know the rules as we move forward with Regional Dialogue Implementation.

Section III.B.10. Customer Rights to Add and Remove New Non-Federal Resources

First, these rights should exactly parallel notice provisions for Tier 2 purchases. Second, we support the right to remove these resources on a short term basis so as to not reduce the Tier 1 purchase amount. Third, the 5(b)/9(c) policy which would impact resource removal both short and long term, should be undertaken as soon as possible so that customers know the framework they are working in to acquire non-federal resources for service to non-Tier 1 loads. The 5(b)/9(c) policy must be developed in concert with the TRM and products, and well before Regional Dialogue contracts are offered.

Section III.B.12. Take-or-Pay for Regional Dialogue Purchases

The concept is acceptable. For short-term load loss, BPA should offer to sell off any unusable Tier 1 to the market and credit the resultant revenue to the customer. Making Tier 1 and Tier 2 “take or pay” helps preserve the integrity of the pricing construct. PNGC Power supports this approach.

Section III.B.13. Customer Rights to Billing Credits

We agree with BPA’s proposed prohibition on requesting billing credits for non-federal resources.

Section III.B.14. Access to Public Exchange

PNGC Power supports BPA’s requirement that public customers taking HWMs must settle any claim to exchange benefits as part of the Regional Dialogue proposal and contract process. Without this settlement, the whole TRM potentially falls apart, and with it the reason to tier rates and offer Tier1/Tier 2 contracts.

Section III.B.15. New Public Customers

We recommend that BPA limit the amount of augmentation to Tier 1 for new publics to 75 aMW. New public load or load growth of existing customers both have statutory rights to take power from BPA. To preserve the value of the HWM to existing utilities, new publics should not be allowed to dilute the value of Tier 1. New public customers would be subject to the same

timelines and rules as existing customers load growth. We suggest simplifying the needlessly complex phasing in and just allowing the 75 aMW of augmentation and the subsequent allocation of up to 75 aMW of HWM to new customers on a first-come, first-served basis.

BPA has already made commitments to supply power at the lowest-cost-based rate to certain new customers or to certain utilities who have acquired new service territory. BPA should include a list of its existing but not yet served commitments and clarify that these commitments do not count against any cap contained in the Regional Dialogue document. PNGC Power is particularly interested in the commitment that BPA has made to Raft River for service to Raft River's Western Division with the lowest-cost-based federal power starting in October 2011.

Section III.B.17. Effects of Reductions in FBS System Capability on HWM

We have focused on reductions of the FBS in all of our discussions. However, the past 20 years have taught us that conditions change in unexpected ways. The final Regional Dialogue contracts should deal with both reductions in the FBS as well increases in the FBS. Customers should have a choice about taking amounts of FBS over their original HWM if the FBS is increased over the sum of HWMs. While it appears likely today that customers would want more Tier 1, previous commitments to resources and a significant price drop in the market (as we experienced in the mid-1990's) may result in customers not needing more Tier 1. BPA should not have an automatic right to require take-or-pay commitments to increases in FBS above the original HWMs.

Section III.B.18. Federal Income Tax Exemption on Columbia Generating Station Bonds

In this section BPA expresses the concern that operation of the HWM concept for cooperatives could potentially jeopardize the tax-exemption for the interest paid on the CGS bonds. BPA suggests one possible solution. PNGC understands BPA's concern and is prepared to work with BPA first to determine if there is a significant risk to the tax-exempt status of the bonds. If there is, we will work with BPA to find an appropriate solution. It should also be recognized that the Treasury has within the last 50 days issued proposed regulations that address favorably some of the considerations involved in this issue, and the tax laws and regulations may change by 2012. Thus, it is important to retain some flexibility on the issue. While we generally support BPA's goal of securing the lowest cost available financing, it is important to note that all of BPA's statutory preference customers stand on an equal footing and are entitled to equal access to all BPA power sale products offered to preference customers. As a result, we recommend that BPA not try to lock down a specific solution to the issue in the final ROD but acknowledge the need for ongoing discussions on this matter. It is also important that any solution not put BPA's cooperative customers, including those purchasing under Regional Act section 5(b)(7), at a disadvantage. BPA has had success collaborating with affected customers to address such tax issues in the past and this practice should be observed in the future.

Section III.C. Products Available to Requirements Customers

We appreciate that BPA tried to give the customers as much detail as possible about how the Regional Dialogue contracts, rates, and products might work. However, the final Regional Dialogue document should contain high level principles regarding products and avoid going into detail about specific products. There is a separate and subsequent product design step in implementation. If the Regional Dialogue final document is too detailed in some products, it may unintentionally create an unworkable product. TRM and product development should occur simultaneously so that the rates and products work together as a package.

For example, the paper illustrates Tier 2 associated with the load following product as a flat block. This is useful as an illustration but has taken hold in some staff's mind that Tier 2 must be a flat block. This is an issue that is best left to the subsequent process. There may well be reasons to bring in seasonally shaped blocks of Tier 2 or non-federal resources, and the TRM may well accommodate other shapes. We urge BPA to include an equal but high level of detail for each of the products as well as leaving open the possibility that other products may be developed in the subsequent process. BPA should scale back the description of the Slice product contained in the Regional Dialogue proposal to allow further discussion and negotiation of various product features including a cap on the amount of Slice offered. BPA should treat all products in comparable level of detail in the final Regional Dialogue document so that product details can be negotiated as a coherent package in the subsequent product development process.

In general, PNGC Power supports BPA in offering a variety of products to its requirement customers including load following products (Full Service, Partial Service), and non-load following products such as Block and Slice. Tier 2 should be available to all types of customers including those who choose the Block/Slice product.

Section III.C.4. Reshaping the FBS for Load-Following Products

BPA should clarify its terms in this section of the paper and in the TRM discussion. For example, this section seems to imply two separate charges, load following and load variance. In discussions with staff, only one product has been discussed. The details of the load following products and applicable rates should be developed in the subsequent TRM and product development forums.

Section III.C.5. Tier 2 Rate and Load-Following Products

This discussion identifies a “predefined shape for Tier 2 purchases.” The illustration uses a flat block Tier 2 purchase as an aid to understanding. BPA should not limit Tier 2 purchases to flat blocks, even for those customers choosing load following service. The further product development process, as well as changing needs over time, should define the way in which Tier 2 is offered. BPA should allow itself the flexibility to offer new Tier 2 products over time to reflect the needs of its customers and changes in the market over time.

Section III.C.6. Non-Load-Following Products

Please see our Slice/Block comments. In general however, we believe that the products should provide equal value of the FBS to the customers choosing them and that the notice provisions for BPA's Tier 2 product and other non-federal products should be identical. Further, the final Regional Dialogue should clarify that service to load under the HWM with a Block product is permissible. Finally, BPA should allow the product development process to define the products in detail. The Slice product description should be scaled back to a more general level commensurate with the level of detail in the other products.

Section III.C.8. Tier 2 Rate and Non-Load Following Products

BPA should note in this section that net requirements determinations and their relation to HWM are done on a forecast basis prior to the rate period.

Section III.C.9. Tier 2 Rate Purchase Alternatives

This section is a good start on laying out various types of Tier 2 products that could be offered. The final Regional Dialogue document should note that the product development process will be open to developing whatever products are needed by the customers and BPA is willing to offer, including shorter term and bridge products. The final Regional Dialogue document should also give BPA the flexibility over time to develop new Tier 2 products as need arises.

Section III.D. Pricing and Rates for PF Service

This section is a good start on BPA's intent to create a Tiered Rate Methodology (TRM) for the long term to support the Regional Dialogue contracts. BPA has begun scheduling the workshops on the development of the Tiered Rate Methodology that will lead to rate proceeding PNGC supports this early start of these workshops; in our view it is not a moment to soon to start these technical discussions on the TRM.

BPA has identified several of its goals for the pricing and rates for PF service under the implementation of the Regional Dialogue contracts. We support many of those goals, such as, minimizing the dilution of low-cost service from the existing federal system. In addition, PNGC recommends that BPA apply the following principles in the development of its long-term TRM.

- Tier 1 remains a cost based rate;
- That the pricing structure including the risk component be the same regardless of product type;
- That risk mitigation (CRACs or True-ups) be the same regardless of product type;
- That there is clear separation between Tier 1 and Tier 2 cost and the long term TRM contain safe guards to prevent mixing of Tier 1 and Tier 2 costs over time;
- That Tier 2 rates and products do not impede the ability of utilities to use non-federal resources to meet loads above the HWM;

- There should be clear definition of the types of load shaping and resource shaping services that BPA will provide associated with Tier 1 and Tier contract types.

PNGC has reviewed the listing of potential cost that could be included in Tier 1 costs. With the exception of augmentation for service to DSI loads the list seems to be a reasonable start. BPA should not be incurring or including any costs under Tier 1 for service to any DSI loads.

It appears that BPA will be asked to provide a variety of Tier 2 products. Given the variety of Tier 2 products under discussion, BPA should consider the possibility of Tier 2 pricing and rates that are specific for each Tier 2 product. Finally in its last sentence under the brief Tier 2 discussion, BPA provides Tier 2 with a cost recovery safety net that would allow under or unrecovered costs to be reallocated to Tier 1. We believe that this approach would be a grievous mistake. Tier 2 products and their rates must stand on their own from the initiation of the Regional Dialogue contracts.

SECTION III.E.1. Low Density Discount (LDD)

This section proposes to continue to use its general rate setting proceedings to review and revise the LDD including LDD criteria, discount level, applicable rate, eligibility and implementation details. PNGC is not opposed to this forum in general. However we do recommend that the discussion of the LDD approaches be included in the Regional Dialogue Product discussions and rates and contract discussions. We recommend that BPA's approach to the LDD should be to provide a discount that is fair and equitable, and that BPA not distinguish between the type of Tier 1 product that a utility takes. Currently, BPA has created an overly complicated approach for calculating the LDD benefits for customers purchasing the Slice Product that perpetuates unnecessary distinctions between benefits for full service customer LDD benefits. Under the Regional Dialogue contracts, BPA should seek to eliminate distinctions on benefits like the LDD based on contract selection and rate treatment.

SECTION III.E.2. Irrigation Rate Mitigation Program (IRMP)

This section proposes the direction BPA intends to take on rate mitigation for qualifying loads under the Regional Dialogue contracts. PNGC is supportive of the proposed approach of establishing a fixed mills per kWh discount to the Tier 1 rate instead of a separate product like the current approach. We recommend that the Regional Dialogue approach provide benefits in a fair and equitable manner regardless of the product selected by a utility. The discrimination in benefits based on product type that existed under the IRMP approach should not reoccur in the future irrigation rate mitigation approach.

Utilities eligible for irrigation rate mitigation should get the benefit for the entire amount of their qualifying FY 2002-2004 three-year average energy amounts. Eligible MWh should not be limited by the amount of Block power contracted. The rate discount approach should not discriminate in the amount of benefit based on the type of BPA Tier 1 that a utility selects.

TRANSFER SERVICE (Regional Dialogue Section IX.)

Section IX.A. Background

Keeping in mind that this Transfer Service section is the continuation of an earlier process which resulted in the Agreement Regarding Transfer Service (ARTS), BPA's policy in this section is appropriately far more detailed than in other sections of the Regional Dialogue . BPA proposes that issue 5 (Payment for Delivery of Non-Federal Power) and issue 6 (Transfer Service for Annexed Load) will not go into effect until after September 30, 2011. BPA proposes to implement resolutions to the following issues once the Regional Dialogue policy is finalized and not wait for the Regional Dialogue contracts to be signed:

Issue 1 (Direct Assignment Guidelines),
Issue 2 (Quality of Service),
Issue 3 (Administrative Roles and Responsibilities),
Issue 4 (Ancillary service costs),
Issue 7 (Transfer Service for Block and Slice), and
Issue 8 (Additional Staffing).

We support BPA in its more immediate implementation of these items and look forward to working out the details of many of these issues, particularly quality of service issues and issues related to reimbursement of transfer costs if the customer holds the transfer agreement.

Section IX.B.1. Direct Assignment Guidelines

With regard to the "Supplemental Guidelines for Direct Assignment of Facilities Costs Incurred Under Transfer Agreements," PNGC Power offers the following specific comments. In the section entitled "Supplemental Guidelines Regarding Construction Options" (Regional Dialogue, page 65) BPA notes that PBL's current policies do not allow ownership of facilities. We would like to see the following language added to this section:

To the extent that the best plan of service calls for BPA ownership or construction of facilities, BPA will work with the transferor and the customer to find options to accommodate the best plan of service including TBL ownership of facilities or construction/lease/O&M arrangements with the transferor or the customer."

BPA should also change section 3 of the Additional Guidelines to clarify that a customer may choose to contract directly with a third-party provider for new delivery below 34.5 kV. We understand from our workshops with BPA staff on this topic that this would not require a utility contracting for a POD below 34.5 kV to contract for all of its existing points of delivery (PODs) from that third-party provider. BPA should clarify the language in section 3 to reflect this understanding.

Section IX.B.2. Quality of Service

We urge BPA to work to improve quality of service in the ways listed immediately, not to wait for new or follow-on transfer contracts. Mutually-agreed-to protocols for communication among BPA, the transferor, and the customer can be put in place informally or through extra-contractual mechanisms such as letter agreements, without needing to be formalized in contracts. We strongly support the concept of using TBL's Customer Service Engineers (CSEs) to technically support the GTAs. The lack of engineering support of the GTAs has been an enormous hole in service to GTA customers since the assignment of the GTAs to the PBL. We look to BPA, the agency, to support the transfer agreements and look forward to improvement in the quality of service issues at the earliest date possible.

Section IX.B.3. Administrative Roles and Responsibilities

The issues addressed in this section deal with *who* holds the transfer contract and who is responsible for duties such as forecasting, scheduling, and other duties associated with transfer service. The new world which will be brought on with Regional Dialogue contracts will require BPA to adopt a posture of flexibility and a "can do" attitude towards these issues. BPA needs to recognize that one size does not fit all when it comes to resource development. In some instances, it will make sense for BPA to continue to be the transfer contract holder and do forecasting and scheduling. This is especially true if a utility is a full requirements customer of BPA's. If a utility is bringing in non-federal resources, it may be better for everyone if the utility customer is the transfer contract holder. BPA should be flexible in working with its customers as they move into a world that may include non-BPA suppliers of power. We urge BPA to take up these issues as soon as possible so BPA's customers can proceed expeditiously with investigation of new non-federal generation with confidence.

PNGC Power members are also interested in securing transmission paths into their systems for both federal resources and non-federal resources. To this end, BPA should be willing to act as the Designated Agent (a defined term in the OATT) of utilities needing transfer service when it holds the transfer contract across a third-party transmission system. In the past, BPA has been unwilling to act as Designated Agent and has expressed concern about incurring uncompensated liabilities if it acted as a Designated Agent. A clear agreement with BPA's customers regarding costs and liabilities could easily address this issue. BPA ought to offer to act as Designated Agent in the Regional Dialogue proposal.

Section IX.B.4. Ancillary Service Costs

PNGC Power supports the proposal for Ancillary Service Costs contained in the Transfer Service section.

Section IX.B.5. Payment for Delivery of Non-Federal Power

We applaud BPA's stated goal of encouraging "customers to find their best fit of resources to serve their loads based on their own objectives and policies" (Regional Dialogue, page 68). That goal is to be implemented in this Transfer Service section of the proposal by providing "financial support for the transmission of non-Federal energy deliveries under transfer service contracts" for native load above Tier 1.

BPA should include in this section the following concept:

If a preference utility can get a non-federal resource to the edge of the third-party system which serves its load (GTA or OATT), then BPA will pay such GTA or OATT costs to move this resource to that utility's load. BPA should pay up to the cost for transfer service that it would have paid if all the power used to serve load were federal power.

The proposal adopted some eligibility requirements which were based on section 36 of BPA's OATT which was adopted as part of the 2002 transmission rate case settlement. As the conversation among customers and BPA has progressed regarding transfer service and the importance of diversity of resource location, it has become clear that these eligibility requirements were designed at a very different time and do not fit with the intent of the Regional Dialogue.

Specifically, eligibility requirements a. and d. are no longer needed and are contrary to other commitments which BPA has made. The intent of these at the time was to prevent take-over of IOU service area and then have BPA pay for transfer service. The transfer service associated with acquired load issue is dealt with in another section of the proposal and so this requirement is unnecessary. Further, the restriction on PODs in existence as of 1996 might unintentionally cut out PODs resulting from load growth and the customer, BPA, and the transfer provider have worked to put in place over the last decade. Both of these requirements are anachronistic hangovers which should be eliminated.

Likewise, the two requirements b. and c. were attempts to limit service by requiring that the power source from or travel through the BPA transmission system. Given BPA's stated goal to encourage resource development by its customers to meet their non-Tier 1 load, these requirements are clearly outdated. Further, their imposition would tend to make existing transmission constraints on the FCTRS worse by encouraging resource location within the already constrained FCRTS. These eligibility requirements should be eliminated.

Eligibility requirement e. is also unnecessary since the direct assignment section of the proposal takes care of any low voltage issues for new facilities.

Caps were the next attempt to limit exposure to non-federal wheeling costs. BPA has proposed a cap of 30 MW per year or \$800,000 per year up to a total of 600 MW or \$16 million over the term of the 20-year Regional Dialogue contracts. We propose a different way of looking at the need for caps. If BPA agrees to pay transfer charges for non-Tier 1

power up to the cost it would have paid if the total customer's native load were served with federal power, it would perfectly accomplish its goal of not biasing resource choice. BPA could put conditions on the transfer costs it would pay limiting the payment to what it otherwise would have paid for transfer of federal service. By limiting the payments to total native load, i.e. and to what BPA would have paid for federal power, no cap is needed. These limitations provide a limit on BPA's exposure as well as meeting the objectives of the Regional Dialogue. BPA indicated that the caps were based on its estimates of load growth. Instead of using actual caps, which may cause difficulty and non-comparability if they are ever reached, limiting the service to the non-Tier 1 amounts achieves the same goal much more elegantly. Therefore, we recommend eliminating the paragraph at the top of page 69 of the Regional Dialogue dealing with caps for non-federal wheeling.

This proposal would leave to the customer any cost of getting either to the FRCTS or to the transfer system. It would also leave to the customer any upgrades or reinforcements needed if the non-federal power comes from a different point of receipt than federal power.

Section IX.B.6. Transfer Service for Annexed Loads

This section should be renamed "Transfer Service for Acquired Loads." Annexed refers narrowly to how a muni can gain service area. In other utility structures, there are other ways to acquire service area including purchase, trade, or judicial decision. We understand the intent of this section is to apply to all types of **acquired** load or service area and the language throughout the section should refer to acquired load, not annexed load.

Secondly, BPA should recognize the commitments that it has already made and make clear that those commitments do not count towards the caps contained in this section. We are specifically referring to City of Weiser, Port of Seattle, and service to Raft River's Western Division load in Nevada.

Third, BPA should remove the \$7/MWH that is contained in this section. Transfer customers have no control over the price of transfer service. It is the very customers who face high transfer costs that need BPA assistance the most. If BPA insists on having a dollar cap on transfer service costs, it should be willing to pay for transfer service **up to the price cap**, and it ought to index the cap amount to inflation or an index of utility costs over time.

Section IX.B.7. Transfer Service for Block and Slice Power Sales Agreements

We agree with BPA this transfer service section should apply regardless of what product a requirements customer is purchasing.

Section IX.B.8. Additional Staffing and Projected Costs to Implement ARTS

We appreciate BPA's level of detail in the proposed Regional Dialogue document as information about implementation of the ARTS. However, this sort of information is not appropriate in the final Regional Dialogue document. We do encourage BPA to keep the customers informed about implementation of Transfer Service policies in ongoing forums which could run parallel to work on TRM and product development.

The Slice Product

In addition to its introductory comments regarding the Slice product, PNGC Power incorporates by reference the following comments of the joint group of current Slice customers attached below:

October 31, 2006

Mr. Stephen J. Wright
Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208

Dear Steve:

We are pleased to provide you with the attached comments regarding the proposal for the Slice product in the Bonneville Power Administration *Long-Term Regional Dialogue Policy Proposal*, dated July 13, 2006. The Slice purchasers include a diverse number of utilities, including some of the largest and some of the smallest preference customers of BPA. Under Slice and Block products, these customers buy approximately one-half of the power sold by BPA to preference customers.

The current Slice product provides important benefits to the region not the least of which is spreading the risk inherent in a hydropower-based system. The product is working well, and recent agreements surrounding the Slice product are creating an atmosphere that is both constructive and encouraging for the future. BPA and its customers have worked well together in order to achieve these results. We will continue to coordinate closely on any necessary refinements to the product.

In the future, a viable Slice product will be important to the success of the broader objectives of the Regional Dialogue Policy. The attached comments review the success of the current product and outline reasons why some of the changes to the Slice product proposed in Regional Dialogue Proposal are unnecessary and would be detrimental to the region's long-term goals.

Because the details of other BPA power sales products are still in development and are not included in the Regional Dialogue Policy, we have come to the conclusion that this policy document is not the place for BPA to provide a detailed description of the Slice product features. Rather than trying to lock in specific product design features for this or other products in the Regional Dialogue Record of Decision, we request that you preserve the discussion for the cooperative contract design process with customers between now and the signing of contracts.

To the extent a product proposal is included in the Record of Decision, the Slice product description should reflect the fundamental principles that have made it successful. Taking on a percentage of the system costs and risks should warrant receipt of a percentage of the system output. Proposals to significantly restrict product flexibility, to disallow self-supply of ancillary services, and to arbitrarily restrict the volume of the product offered may undermine this power product that serves customers well, avoids negative impacts on other customers, and meets key objectives of the agency.

We appreciate this opportunity to provide comments and look forward to further discussion about how BPA power products can best serve regional ratepayers in the future.

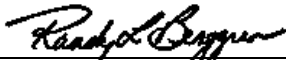
Sincerely,

PUBLIC UTILITY DISTRICT NO. 1 OF BENTON COUNTY, WASHINGTON



James W. Sanders
General Manager

EUGENE WATER & ELECTRIC BOARD



Randy D. Berggen
General Manager

CITY OF IDAHO FALLS



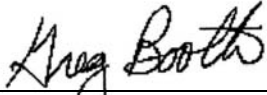
Jo Fikstad
Assistant General Manager

CITY OF SEATTLE, CITY LIGHT DEPARTMENT



Jorge Carrasco
Superintendent

CLATSKANIE PEOPLES UTILITY DISTRICT



Greg Booth
General Manager

PUBLIC UTILITY DISTRICT NO. 1 OF FRANKLIN COUNTY, WASHINGTON



Jean Ryckman
Manager

PUBLIC UTILITY DISTRICT NO. 1 OF GRAYS HARBOR COUNTY, WASHINGTON



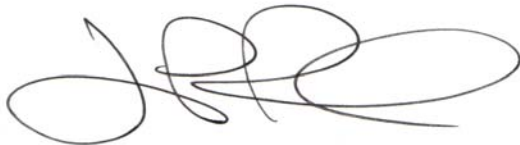
Richard D. Lovely
General Manager

PUBLIC UTILITY DISTRICT NO. 1 OF OKANOGAN COUNTY, WASHINGTON



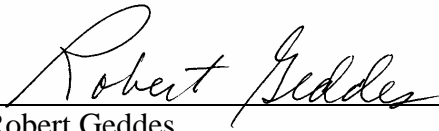
Chuck Berrie
Manager

PACIFIC NORTHWEST GENERATING COOPERATIVE
ON BEHALF OF ITSELF AND THE PNGC MEMBERS



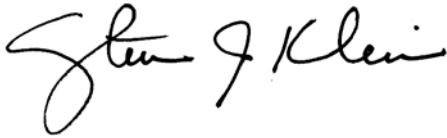
John Prescott
President & CEO

PUBLIC UTILITY DISTRICT NO. 1 OF PEND OREILLE COUNTY, WASHINGTON



Robert Geddes
General Manager

PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON



Steve Klein
General Manager

Cc: Paul Norman, BPA
Mark Gendron, BPA

Attachment

Joint Comments of Slice Customers of the Bonneville Power Administration

Long-Term Regional Dialogue Policy Proposal October 31, 2006

Summary

Slice product purchasers of the Bonneville Power Administration (BPA) appreciate the opportunity to comment on the proposal for the Slice product in the Long-Term Regional Dialogue Policy Proposal released in July 2006. The current Slice purchasers include a diverse number of utilities, including some of the largest and some of the smallest preference customers of BPA (see attached list). Under Slice and Block products, Slice purchasers buy approximately one-half of the power sold by BPA to preference customers.

The current Slice product provides important benefits to the region, not the least of which is spreading the risk inherent in a hydropower-based system. In the future, a viable Slice product will be important to the success of the broader objectives of the Regional Dialogue Policy. Our comments will give background on the success of the current product and then touch upon reasons why some of the changes to the Slice product proposed in the Regional Dialogue Proposal are unnecessary and would be harmful to the region's long term goals.

In light of the lack of detail in the Regional Dialogue Policy regarding other BPA power sales products, we question whether this policy document is the place for BPA to provide a detailed description of the Slice product features. Instead we believe that, rather than locking in specific product design features for this or other products in the Regional Dialogue Record of Decision, the Administrator should preserve his flexibility for later cooperative contract design discussions and negotiation with customers between now and signing of contracts. However, if such a product description is to be made at this time regarding Slice, we have several specific and important suggestions in our comments.

Slice Product Performance

Slice customers have worked alongside BPA staff for almost a decade in order to create and then implement a viable Slice product. It is a credit to the staff, both at BPA and at the utilities, that this effort has been a success in creating a functioning product that meets the intended goals. The Slice purchasers agree with some of the changes that can make the product work even better. And, we look forward to working with BPA staff to continue to hone implementation of the product in many ways.

However, it should be clear that the recent "review" of the product did not create a consensus on all of the new directions and principles that BPA has proposed for the Slice product. BPA has

not provided information or arguments that would support several significant changes appearing in the proposal.

In its current form the product fully meets the five original principles: (1) No risk or cost shift to other customers; (2) No risk or cost shift to taxpayers; (3) No avoidance of fish costs; (4) No interference with operations; and (5) No changes in law required.

In fact, the product has shifted risk away from BPA and its other customers just as originally intended. It has created the four advantages to the agency that BPA envisioned when it first offered the product for contracts beginning in October, 2001: (1) Risk mitigation in moving risk of variable hydro conditions to Slice purchasers; (2) Reducing the need for BPA to reshape federal system output to the shape of customers' loads; (3) Longer-term fish funding stability; and (4) Responsiveness to public customer needs (see BPA Congressional Testimony, <http://resourcescommittee.house.gov/archives/106cong/water/00apr06/norman.htm>).

For the future, a viable Slice product (i.e., one that has not been detrimentally modified) would meet many of BPA's key objectives while maintaining the objective of avoiding any negative impact upon other customer groups.

Nature of the Slice product and Role in the Region's Future

From its inception, the Slice product has been based on two complementary principles that are fundamental to its success:

1. Slice purchasers pay a fixed percentage of BPA's actual costs, and in return receive the same, pro rata percentage of federal power system output and services (such as storage) as and when available on the Federal system.
2. Slice purchasers accept the risk of fluctuations in actual federal system output and accept responsibility for managing their percentage share of the federal system output to serve their loads. In return, they have access to the same federal system flexibilities available to BPA in order to fulfill its load-following obligations.

It is this fundamental tradeoff of risk and benefit that makes Slice beneficial not only to customers, but to BPA. It fits the needs of customers who require the capability to follow their own loads, and who may want or need to develop and integrate non-federal resources. Slice is particularly well suited for helping utilities integrate intermittent renewable resources, which may soon become required under renewable portfolio standards. Contrary to some perceptions, the Slice product fits the needs of BPA and its load-following customers as described above by having Slice purchasers take on the risk of water and market conditions, the task of shaping the federal system output to loads, and their proportionate share of actual costs including fish and wildlife obligations. Since it was a newly offered option in 2001, Slice has proven to be a product that meets all of these expectations.

Inherent in the future construct proposed in the Regional Dialogue are three objectives: (1) BPA's role as a regional power supplier is reduced over time as is its need to rely on short term

power purchases from the market; (2) BPA's customers will receive accurate price signals as they face actual costs for the power products offered; (3) Customers will be encouraged to develop or acquire needed regional infrastructure, particularly non-federal generating resources to serve regional load growth and to satisfy renewable resource needs, rather than relying on BPA for such development.

The Slice product already accomplishes, with Slice purchasers, all of the objectives that BPA is attempting to accomplish for its other customers. A viable Slice product would be ideally suited to accomplishing these key objectives for the future: (1) By changing the major responsibility of shaping system output to the Slice purchaser, it materially reduces BPA's reliance on the market; (2) By charging customers for BPA's actual costs, it gives the most accurate price signal possible; (3) By providing access to the output and delivery flexibility of the federal system, the Slice product is ideal for encouraging development and integration of all types of non-federal resources.

Concerns with the Regional Dialogue Proposal

As noted above, it is not the position of Slice customers that the product should remain exactly the same forever. Certainly, there are some changes that all involved have agreed upon. We look forward to working together to continue to enhance product implementation. Further, we appreciate that BPA staff's original intent described in the power sales contracts was to renew the Slice agreement on the same terms and conditions set forth in those documents.

Unfortunately, the Long Term Regional Dialogue Policy Proposal ("the Proposal") proposes changes that will materially alter the nature of the product, will reduce its attractiveness in the future business paradigm, and will make the product less useful to customers who want to develop and integrate new, non-federal resources. In light of the product's success, these fundamental changes appear to be trying to "fix" elements of the product that are not broken.

In general, the most significant concern is BPA's departure from the two fundamental principles mentioned above that make the Slice product viable and successful. Again, these fundamental principles involve true access to the same federal system flexibilities available to BPA in exchange for payment of actual cost of that system and acceptance of the risk inherent in that system. It should be noted that this access does not include "off the top" obligations that BPA must provide for fish flows, flood control and other important regional uses.

We have provided three sections below to more fully describe the meaning behind these principles and the threat to them represented by BPA's proposed changes. These sections will be presented as questions involving three aspects of BPA's proposal: (1) Departure from the basic nature of the product and corresponding reduction of the flexibility of the Slice product; (2) Disallowing self-supply of ancillary services associated with the product; and (3) Inserting a strict and arbitrary cap on the volume of the product offering.

Question 1: Should BPA depart from the basic concept that the Slice product is a contracted percentage of system capability in exchange for a payment of the same percentage of system costs?

The answer is no. Slice customers are very concerned over BPA's failure to reaffirm the two fundamental principles upon which the Slice product has been based, and which have made it a success.

Principle 1. Slice purchasers currently pay fixed percentages of BPA's actual costs as incurred by BPA, and in return receive the same percentage of Federal power system output and services (such as storage) as and when available on the Federal system. This arrangement satisfies the Federal Power Act's requirement that BPA must offer cost-based power rates to its preference customers.

Principle 2. Slice purchasers currently accept the risk of fluctuations in actual Federal system output and responsibility for managing their percentage share of the Federal system output to serve their loads, and in return have access to the same Federal system flexibilities available to BPA to fulfill this obligation.

After five years of experience implementing the current product, it is clear that the current Slice product meets the original principles as laid out by BPA. And, it does so while maintaining the two fundamental principles listed above. BPA proposes to move away from these key elements without offering justification beyond wanting to "simplify the product offering." The unintended result might be a more complex new product that creates a whole new set of conflicts and disputes over implementation questions that have already been settled with the current Slice product.

It is worth repeating that the Slice purchasers have worked diligently at the technical level to reach agreements on some changes that can make the product work even better. Further, they are ready and willing to work with BPA staff to continue to address any issues that arise with implementation of the product.

Clearly, Slice customers have never advocated having actual ownership or control over the federal system. All of the mandated needs for non-power obligations and for system reliability are preserved in the current version of the Slice product. But, inherent in the product is the need for Slice customers to have contractual, operational access to their share of system capability and to appropriate information utilized by BPA staff.

Discussions and descriptions of the "Alternative 2" Regional Dialogue proposal show several departures from the basic concept that Slice is a contracted percentage of the available system capability in exchange for a payment of the same percentage of system costs. The following are some examples.

Off the Top Obligation Buffer-- The proposal appears to allow BPA to reserve capacity on a subjective basis without demonstration that the need for the capacity is equally shared between the paying Slice customers and BPA. Without proper care, BPA could generate uncertainty with

its own power marketing activities and then take capacity from Slice customers through the use of these subjective buffers. It is essential that any capacity reserved by BPA tie back to system capability in an objective manner.

Real-time limits subject to BPA's and customers' aggregate pre-schedule election and "other operating criteria as determined by the BPA hydro scheduler"-- Again, a Slice customer's system limits should not be a function of the other customers' or BPA's schedules, but of its share of the actual capability of the system. The use of subjective adjustments by the BPA hydro scheduler is a break from the current practice of objectively linking contract limits to system capabilities.

In BPA's Regional Dialogue proposal, the statement defining Slice as "a system sale of requirements and surplus power indexed to the variable FCRPS energy and storage capability..." should be clearly understood as providing both the available energy and capacity of the system to the Slice customers on an apportioned basis. In addition, to address concerns raised earlier by BPA, the Slice customers have made it clear that they accept BPA's proposal to remove the right to dynamically schedule FCRPS energy and capacity.

BPA's new proposals are unwarranted wherever they cause constraints on design and flexibility of the product. That is because they would make unwieldy a Slice product that already allows BPA to set conservative limits that can disadvantage Slice customers. Here are a few examples demonstrating BPA's current ability in this regard:

- In March of 2002, after repeated warnings from Slice customers that the system was at risk of drafting out the bottom of the Slice storage limits, BPA was discovered to be well below the limit while the Slice customers had minimized their generation to stay in compliance with the limit.
- In June of 2005, BPA's real-time marketer blocked in sales for the day and shortly afterward discovered that the Federal System lacked generating capability to supply the sales and that the cost of purchasing to meet the obligations was very high. In response, BPA brought on 200 MW of additional generating capability from Hungry Horse, Libby and the Willamette Projects. But, the Slice limits were never updated with this generating capability, effectively allowing BPA to unilaterally use the capacity to minimize its own purchasing.
- In May of 2006, BPA started operating to 360 kcfs discharge at The Dalles to move water out of the system in anticipation of high flows during a warm spell. Slice customers were given exact daily generation levels to maintain in order to operate to the 360 kcfs flow. For May 19-21 (the weekend) the generation levels given to the Slice customers were overstated by an energy amount equal to 1,426 MW *every hour* for 3 days. Despite contract provisions requiring BPA to update customers' limits for deviations this large, no update over the weekend was given and it was only on Monday that BPA made a sizable reduction to the customers' generation levels. Compensating adjustments for the weekend were made starting on Wednesday. In order to meet the higher generation requirements, some customers sold during the weekend for as low as \$3/MWh. The subsequent reduction on Monday resulted in customer purchases at prices up to \$50/MWh. Interestingly BPA was selling to some of these customers on Monday at \$47/MWh.

These examples are presented not to complain about these instances, but to illustrate that BPA still maintains ultimate control of the federal system, contrary to misconceptions on that point. On a positive note, BPA staff and Slice customers have professionally and respectfully worked through these and many other issues, and the Slice customers have paid for many improvements to BPA's operating methods. This collaborative approach has created a viable current version of the Slice product. We will continue to work with BPA on Slice system enhancements through the current contract term, which will create an even more refined Slice product by 2011. Further constraints on flexibility that move away from the fundamental notion of paying a percentage of the costs in order to receive a percentage of the system output and risks can only create a less level playing field. On the other hand, keeping the product in a form that is viable for customers will preserve alignment and the many benefits to the region mentioned in the introduction.

Question 2: Should BPA remove the ability to self-supply ancillary services such as operating reserves (OR) and energy imbalance (EI) in the future Slice product as proffered under Regional Dialogue?

BPA has proposed the following principle: *The Slice product will not include within-hour load-following, dynamic scheduling or ancillary services. Generating capacity and energy provided from the FCRPS to TBL for Interconnected Operating Services will come "off the top," and revenues PBL receives from TBL for those generating inputs will be shared on a proportional basis.*

The customers accept that the future Slice product will not include within-hour load-following or dynamic scheduling. However, the Slice Customers believe the future Slice product should continue to incorporate the as-is ability to self-supply ancillary services (operating reserves and energy imbalance). The current Slice contract has included this right during the initial 5 years of the agreement, and this right will continue during the next 5 years under the existing agreement. BPA has not promulgated a compelling argument to withdraw the right to self-supply ancillary services in the next Slice contract.

It is nearly impossible for a Slice customer to perfectly forecast net load requirements for the upcoming hour. To be clear, Energy Imbalance is a TBL product provided to all scheduling customers (i.e., non-load following customers) within the TBL control area that provides for and absorbs the hourly energy due to the difference between actual load and the load forecasted by BPA for that customer. Using the Non-Slice capacity of the FCRPS, PBL provides this service to load following customers and essentially self-supplies this service as it does not face charges/credits from TBL. Analogous to PBL, many of the Slice customers in the TBL control area use the capacity of the FCRPS to self-supply this service from Slice. BPA limits the amounts of capacity that can be dedicated for this service each hour so imbalances greater than the self-supply amount still are provided by TBL. TBL and the Slice Customers developed a business practice and implementation procedures (see <http://www.transmission.bpa.gov/includes/get.cfm?ID=420>) for this self-supply service and the implementation has been smooth and non-controversial since it began, from October 2001 up to

the present time. TBL views this product as revenue neutral so there are no revenues received by PBL to “be shared on a proportional basis.”

All bulk power systems need generating capacity set aside to balance the grid when a generator or transmission line unexpectedly fails. Operating Reserves are a TBL service provided to all customers based on usage of the TBL transmission network. All customers have the option to either: 1) purchase these ancillary services from TBL; 2) self-supply these services; or 3) purchase these services from a third party (such as Seattle City Light). Many of the Slice customers have elected to self-supply this service from their hourly Slice capacity. TBL has developed business practices and implementation procedures for this self-supply service. Implementation began October 2001 and has been smooth and non-controversial from the TBL perspective since it began (see <http://www.transmission.bpa.gov/includes/get.cfm?ID=746>).

The Slice product includes, among other things, access to hourly capacity of the FCRPS. The FCRPS is an energy-constrained system, however, there are many hours during the year when the system and individual Slice customers have surplus capacity after serving their native loads and marketing any surplus energy at that time. Two ways to utilize this capacity are to set it aside for operating reserves or energy imbalance. Slice customers are asking that BPA continue to allow customer choice in this regard as many prefer to use this capacity for the self-supply of ancillary services.

Lastly, BPA PBL also states in its policy proposal that “The removal of the right to dynamically schedule FCRPS energy and to self-supply ancillary services makes it clear that this product does not provide the purchaser with any ownership type, operational right to a percentage share of the system.” As already stated at the onset of this document, all Slice customers agree with BPA’s proposal to remove the right to dynamically schedule FCRPS energy. We also agree that Slice does not provide an implied or explicit ownership of the FCRPS. This argument by BPA does not require the removal of self-supply of these important services to sustain the validity of its assertions.

PBL has not established nor communicated to the region a legal or operational justification for removing the self-supply of these services and should restore these contract principles in the description of the Slice product in the Regional Dialogue policy proposal.

Question 3: Should BPA limit the availability of the Slice product to a specific percentage amount for the next contract period as proposed in the Regional Dialogue?

The answer is no. BPA proposes offering an amount of Slice capped at 25 percent of the existing FCRPS. However, BPA states no rationale for this limitation, nor does the Regional Dialogue proposal describe how this seemingly arbitrary limitation meets any of BPA’s original or newly proposed principles for the Slice product.

Rather than providing support for this arbitrary limit, the BPA proposal purports to respond to the needs of Slice customers by stating that the interest in the product is not expected to exceed

25 percent. They cite the current level of participation as evidence of this. But BPA's assertion that there is little new interest in the product cannot be known at this time, and could have the effect of a self-fulfilling prophecy as the proposal itself limits possible interest.

The customers do not see the need to set a specific limit at this time when it is too early to know whether there will be a new, larger demand for the product. The better direction to take in the final Regional Dialogue proposal would be for the Administrator to retain discretion to revisit the issue once demand is better known.

The reason customers are concerned about the overall limit on the amount of the Slice product offered is that the product becomes less and less viable as it becomes a smaller portion of the power portfolio of a customer. Typically, Slice makes up 50 to 66 percent of a customer's portfolio. As that percentage drops, the product becomes less useful for following loads and integrating intermittent renewable generation, and less economically viable.

Even in the original offering of the product in 2001, BPA offered to sell up to 28 percent of the federal system as Slice. The basis for this original limitation was that the product was new and unknown to BPA, though similar products have been sold for many years by other hydropower producers. However, for 2011, the product will not be new. After five years of experience with the product, there is no longer a basis for limiting the product volume for fear of unforeseen situations.

In other communications, BPA has implied that the proposed 25% volume limit on Slice would provide them assurance regarding the need for flexibility to manage operational complexities. Again, successful implementation of the current product shows that this concern is not valid. Slice customers take on a portion of system risk and have the same non-power obligations and follow the same rules that BPA is obligated to follow. The version of the product currently in effect would provide plenty of flexibility to BPA for operational purposes. This issue was discussed further under the section on BPA's new proposals to downgrade the flexibility offered in the Slice product.

Conclusion

In spreading the risk of variation in the federal power system output, the Slice product benefits BPA, its customers, and all of those to whom the federal system has an obligation. The product is working well. BPA staff and customer staff have worked well together in order to achieve these results. The proposed changes to the product are not necessary.

If detailed product descriptions are to appear in the final Record of Decision for the Regional Dialogue Policy, then the Slice product description should reflect the fundamental principles that have made it successful. Taking on a percentage of the system costs and risks should warrant receipt of a percentage of the system output. Proposals to restrict product flexibility, to disallow self-supply of ancillary services, and to arbitrarily restrict the volume of the product offered could undermine a power product that is serving customers well, avoiding negative impacts on other customers, meeting key objectives of the agency, and providing benefits to the region.

SLICE CUSTOMERS OF BPA:

PUBLIC UTILITY DISTRICT NO. 1 OF BENTON COUNTY, WASHINGTON

EUGENE WATER & ELECTRIC BOARD

CITY OF IDAHO FALLS

CITY OF SEATTLE, CITY LIGHT DEPARTMENT

CLATSKANIE PEOPLES UTILITY DISTRICT

PUBLIC UTILITY DISTRICT NO. 1 OF FRANKLIN COUNTY, WASHINGTON

PUBLIC UTILITY DISTRICT NO. 1 OF GRAYS HARBOR COUNTY, WASHINGTON

PUBLIC UTILITY DISTRICT NO. 1 OF OKANOGAN COUNTY, WASHINGTON

PACIFIC NORTHWEST GENERATING COOPERATIVE

Blachly-Lane Electric Cooperative

Central Electric Cooperative, Inc.

Clearwater Power Company

Consumers Power Inc.

Coos-Curry Electric Cooperative, Inc.

Douglas Electric Cooperative

Fall River Rural Electric Cooperative, Inc.

Lane Electric Cooperative, Inc.

Lost River Electric Cooperative

Northern Lights, Inc.

Okanogan County Electric Cooperative, Inc.

Raft River Rural Electric Cooperative, Inc.

Salmon River Electric Cooperative, Inc.

Umatilla Electric Cooperative

West Oregon Electric Cooperative, Inc

PUBLIC UTILITY DISTRICT NO. 1 OF PEND OREILLE COUNTY, WASHINGTON

PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON