



THE CITY OF WEISER, IDAHO

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OFFICE OF THE MAYOR

October 26, 2006

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

REF: Regional Dialog Comments
Transfer Service for City of Weiser

Last February the Idaho Consumer-Owned Utilities Association (ICUA), on behalf of the City of Weiser, asked Bonneville to allow Weiser to take full advantage of its statutory right to federal power, including delivery rights. A copy of that February 8, 2006 letter from ICUA to BPA is attached and is incorporated herein as part of these comments by the City of Weiser.

The February 8, 2006 ICUA letter requested that Weiser not be required to "obtain its own transfer service" for delivery of federal power. The ICUA letter argued that Weiser was otherwise being discriminated against for transfer service, as compared to historical BPA customers dependent on third-party transmission service which Bonneville arranges. ICUA asked instead that Weiser be offered the same *Agreement Regarding Transfer Service (ARTS)* that Bonneville has provided all other ICUA customers. That same request is hereby renewed by the filing of these comments.

Bonneville's March 7, 2006 response to the ICUA Weiser letter (a copy of which is also attached) stated that BPA was "disinclined" to revise existing BPA policies on *when* a new public customer -- such as Weiser -- would qualify for the ARTS contractual benefits. That policy currently provides that BPA will not fund transfer service for new customers until October 1, 2011. BPA further indicated Weiser was the third "new" Subscription customer of Bonneville during the current rate period and that the other two new customers had arranged its own third-party transmission service.

The March BPA letter to ICUA and Weiser also suggested that the 2006 Regional Dialogue would revisit the Power Subscription Strategy and Policy. Weiser respectfully requests such revisiting for the reasons discussed below.

TRANSFER SERVICE POLICIES ARE IN THE PROCESS OF REVISION AS PART OF REGIONAL DIALOGUE. IT MAKES LITTLE SENSE TO REVISE SOME POLICIES NOW BUT WAIT UNTIL 2011 TO REVISE OTHERS.

The reasons given in BPA's March letter rejecting Weiser's request to become an 'equal' GTA customer are no longer valid. As discussed above, Bonneville is currently in the process of re-thinking many and revising a number of transfer service policies. With so many other

policies being revised, BPA can no longer credibly site a former policy as the primary reason to deny Weiser rolled-in rate treatment. Either the policy needs to be substantively defended as remaining rational or it needs to be changed as part of the Regional Dialogue. Consequently, Weiser urges BPA to take this unique opportunity to allow “new” public customers to be treated comparably with “existing” customers served by transfer service.

Bonneville’s current position in deferring Weiser’s right to the proposed transfer service benefits identified on pages 63 through 70 of the Regional Dialogue Policy Proposal and withholding ARTS benefits from Weiser until 2011 violates of the core principles of “equity” and comparability” which are the underpinnings of ARTS. GTA customers are to have transmission service that is “comparable” to Bonneville customers directly connected to the federal system. BPA’s policy of deferring comparable transfer service rights on Weiser for another five years continues to look at transfer service as a “cost” to be mitigated for the benefit of others in the region; by denying it to new publics for an arbitrary or probationary period of time. Instead, GTA transfer service should be viewed as a cost savings; as demonstrated by the 2004 *General Transfer Agreements – Regional Cost-Benefits Study* conducted by Pat McRae.¹

The ARTS is primarily a tool helping BPA transition from the Power Subscription Strategy and Policy to the new Regional Dialogue Policy. In the Transfer Service section of the Policy Proposal Bonneville recommends that 6 of 8 new transfer policies be implemented “upon finalization of the Regional Dialogue Policy”, but arbitrarily recommends that the proposed policy on transfer service to new or annexed loads [i.e., Weiser] wait for implementation until “service begins under new contracts.” No rational for delaying this particular proposal is given. Such a position is unsustainable as inconsistent with other rational and consensus based transfer service policies. As such, this recommendation must be abandoned.

Finally, Weiser would distinguish itself from the one or two new subscription customers referenced by BPA in its March letter. One or both of these two customers arranged for separate transfer service prior to BPA offering ARTS contracts. The status quo changed when BPA offered ARTS to the region and Weiser is now simply asking for full ARTS rights.

SPECIFIC COMMENTS ON THE REGIONAL DIALOGUE POLICY PROPOSAL

(a) Section 6 on page 69 of the Policy Proposal only addresses *Transfer Service for Annexed Load* for power deliveries commencing “after execution of the Regional Dialogue [new] power sales contract[s].” Nothing in this Regional Dialogue section or other *Transfer Issues* sections appears to specifically address Weiser’s situation of become Bonneville customers in the current rate period. As part of the Regional Dialogue Bonneville should therefore craft a new Section under Article IX, Paragraph B, to revise or address existing transfer service policies for the several new public utilities that have formed during the last rate period. This revised policy should focus on extending ARTS benefits as soon as possible; instead denying benefits for as long as is possible; so that Weiser is not stuck as a second class transfer utility for a five-year probationary

¹ A copy of the McRae GTA Cost Benefits Study is attached to the IDEA/ICUA comments filed as part of Regional Dialogue.

period. In that regard, Weiser suggests the following specific provision be incorporated in this new section of the Regional Dialogue:

New public utilities receiving service from Bonneville delivered with a GTA or OATT replacement service as of January 1, 2007, should be allowed as of the date the Regional Dialogue Policy is published through October 31, 2011 all ARTS rights.

(b) The Policy Proposal recommends on page 69-70 that BPA "would need to hold" the transfer service agreement with the third party transferring utility "in order for [the transferee] to be eligible for this new [transfer] service, post 2012, unless both the customer and BPA agree to other arrangements." Current BPA policy however requires Weiser to arrange for transfer service across Idaho Power's system in Weiser's name. Consequently, Weiser suggests the following specific Weiser related provisions be incorporated:

Weiser should be allowed to assign its IPC Transmission Agreement to BPA or alternatively BPA must execute the IPC agreement on Weiser's behalf, in lieu of Weiser signing the IPC transmission agreement, and

BPA agrees to administer the IPC transmission agreement (e.g. scheduling, ancillary services, and etc.) as it currently does for its other public customers in south central Idaho and charge Weiser the associated transmission fees. Weiser would not however pay ancillary service fees except for excessive ancillary charges, as is the current BPA practice for other GTA served customers.

These recommendations strike an appropriate balance for the transition between the prior subscription policies and Regional Dialogue Policy Proposal on transfer service.

Thank you for the opportunity to provide these comments.

Sincerely,

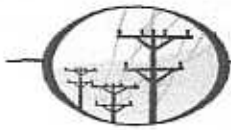


Steve Patterson
Mayor



Nate Marvin
Public Works Director/City Superintendent

cc: Ron Williams, ICUA



IDAHO CONSUMER-OWNED UTILITIES ASSOCIATION

1015 W. HAYS ST, BOISE, IDAHO 83702
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February 8, 2006

Allen Burns
Executive Vice President
Bonneville Power Administration
P.O. Box 3621
Portland OR 97208-3621

Subject: Transfer Service for City of Weiser

Dear Allen:

The City of Weiser has been a long standing member of ICUA, but unique in that their wholesale power supplier has not been BPA. Weiser would now like to become a long term full requirements customer of Bonneville and to that end has been working with BPA's southern Idaho Account Representative, Larry King, to make that happen. ICUA supports Weiser's efforts to take full advantage of their statutory right to federal power; including delivery rights.

In reviewing the draft Full Service Power Sales Agreement proposed by BPA to Weiser I could not help noticing provisions 8(a) and (f) requiring Weiser to obtain its own transfer service over non-federal transmission systems. I was surprised by this provision and asked Larry why they would not be entitled to the same GTA benefits as the rest of the region.¹

While Larry has explained to me Bonneville's policy position that new loads are not entitled to the same GTA service as existing GTA customers, I remain unconvinced that the rationale behind the policy is sound. To the contrary, I believe the policy violates the ARTS principal of 'comparability' by separating GTA haves and have-nots, based on an arbitrary grandfathering system. The policy seems all the more illogical when it was explained that beginning in 2012 Weiser would be entitled to ARTS benefits because it would be a "load following utility" with 2009 net requirements.

I believe that instead of singling out (and possibly even discriminating against) Weiser for being a "late-comer" to the federal system, Bonneville should instead be offering Weiser the companion *Agreement Regarding Transfer Service* (ARTS) that Bonneville recently offered to all Bonneville Customers not directly connected to the

¹ Larry did point out that there are two other new loads that also are denied GTA transfer service; the Port of Seattle and Whatcom County PUD.

Bonneville System. Otherwise, Weiser will have at least one, and probably two wheels to pay, in order to exercise its statutory right to federal power. Leaving Weiser on the outside looking in, as Bonneville and the rest of the region solidify the "last wheel" proposal that otherwise brings real "comparability" to the northwest public power transmission community, does not seem well grounded.

Bonneville spends in the neighborhood of \$40 million annually on GTA transfer costs. Weiser represents a new 5MW average load for BPA, and the additional cost to BPA for Weiser transfer service would appear insignificant. As a small municipal system with limited transmission experience, Weiser faces a daunting task in fulfilling the mandate of sections 8(a) and (f) by having to arrange for their own transfer service over non-Federal transmission systems. Principles of equality, non-discrimination and comparability appear to tilt in favor of Weiser also being offered an ARTS contract from Bonneville and Bonneville helping Weiser to the same extent it helped the hundreds of other transmission dependent public power utilities in the region.

After you have considered this request I would appreciate the opportunity to discuss the matter with you further.

Sincerely,

/s/ *Ronald L. Williams*

Ronald L. Williams
ICUA Executive Director

RW/pk
w/enclosure

c: ICUA Board
City of Weiser
Larry King
Gary Thompson



Department of Energy

Bonneville Power Administration
Spokane Customer Service Center
707 West Main, Suite 500
Spokane, Washington 99201-0641

POWER BUSINESS LINE

March 7, 2006

In reply refer to: PSE/Spokane

Mr. Ronald L. Williams
ICUA Executive Director
Idaho Consumer-Owned Utilities Association
1015 West Hays Street
Boise, Idaho 83702

Dear Ron:

On behalf of the City of Weiser (Weiser), you proposed, in correspondence dated February 8, 2006, the Bonneville Power Administration (BPA) offer Weiser an Agreement regarding Transfer Service as it has done with existing customers. As part of this agreement BPA would, on behalf of Weiser, acquire and pay for the 3rd party transmission necessary to deliver Federal power.

As part of the development of the Power Subscription Strategy and Policy in 1998, the BPA determined it would no longer fund transfer service under a General Transfer Agreement for power deliveries to new customers or for service territory expansion by existing customers. This policy is effective for the October 1, 2001 – September 30, 2011 period.

However, in anticipation of several new customers, this policy provided transfer service for a small number of new customers, if they signed a "contingent" Subscription contract within the offer and acceptance period April, 2000 – September 30, 2000. The agreement required the new customers meet BPA's Standards for Service and begin taking deliveries prior to October 1, 2006. BPA set aside 75 aMW of power and transfer service for these contingent contracts. The 75 aMW was fully subscribed to through the "contingent" contract process.

Weiser is the third "new" customer requiring transfer service to sign a power sales agreement since the 75 aMW was fully subscribed. As noted in your letter, these other "new" customers also have acquired and paid for 3rd party transfer service. Although BPA is considering whether it should provide transfer service for new customers beginning October 1, 2011, that decision would not apply for the Subscription period. BPA is disinclined to create a transition between the Subscription and Regional Dialogue policies for the remainder of the Subscription Period.

The Draft Long-term Regional Dialogue Policy is expected to be released in April 2006 and is not expected to be final until August of 2006. Included in this draft policy will be BPA's position on providing transfer service to new customers. There will be an opportunity to

comment on the transfer service policy and possible transition period once the draft Policy is released in April.

While we are unable to accommodate Weiser's request at this time, BPA is willing to assist you or Weiser staff in arranging for transmission, ancillary, and scheduling services. Weiser would need to identify a contact person who BPA could work with and assist in analyzing, evaluating, and applying for OATT service with BPA's Transmission Business Line and a third party(ies) transmission providers. With BPA technical assistance, Weiser would make the necessary applications and pay any associated fees for acquiring transmission services. Weiser would sign and hold all Transmission Agreements. BPA is willing to discuss providing scheduling services to Weiser on a fee-for-service basis, with Weiser being financially responsible for scheduling and net scheduling deviation costs.

Weiser's assigned representative would also be responsible for all necessary approvals needed including Weiser's City Council.

Please let me know if Weiser is interested in contracting with BPA to provide scheduling services on their behalf. I look forward to hearing from you soon.

Sincerely,

Garry R. Thompson
Eastern Power Business Area Manager

cc:

Mark Gendron, Vice President, Requirements Marketing
Allen Burns, Vice President, Bulk Marketing and Transmission Services
Larry King, Account Executive