



Wells Rural Electric Company

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September 26, 2005
Via Electronic and U.S. Mail

Elliot Mainzer
Acting Vice President Bulk Marketing
Bonneville Power Administration
c/o Public Affairs Office – DM-7
P.O. Box 14428
Portland, OR 97293-4428

RE: BPA's Renewable Rate Credit Proposal

Dear Mr. Mainzer,

Thank you for the opportunity to comment on proposed implementation guidelines for the renewable option that will be part of BPA's Conservation Rate Credit Program. Wells Rural Electric Company (WREC) will limit its comments to those aspects of the proposal that affect our current renewable energy resources.

A. Microhydro Generation

The *only* two microhydros currently receiving incentives under BPA's Conservation and Renewables program are in WREC's service territory. These small generators would qualify as Existing Facilities under the proposed Rate Credit Program and are as follows:

(1) The Egbert microhydro is a 50 kW facility developed by a local rancher which first went online in 2001. 100% of the output is reported under the C&RD program and the 10 mill incentive is passed through to the rancher in its entirety.

(2) The Trout Creek microhydro was initially rated at 120kW. A rewind was completed in 2003 with the goal of increasing power generation. It is now rated at 150kW.

Metering on both facilities is used to determine production for reporting purposes. In the case of Trout Creek, output levels are compared with pre-upgrade production measures. Only the increase associated with the rewind is reported. The *total* eligible output for both facilities (combined) for the first three years of the C&RD was 347,731 kWh (\$3,477.31). There is no reason to expect a significant change in production 2007-2009.

WREC understands BPA's desire to keep credit claims on Existing Facilities to a minimum so that more of the limited budget is available for New Facilities. We feel the reasons are valid for setting the Existing Facility production credit at 33 percent of the maximum renewable rate credit (\$27/MWh) for all three years of the program. In the case of microhydros this results in a decrease from 10 mills to 8.9 mills.

However, the accounting requirements proposed are burdensome and not justified given the very small effect these two projects will have on the Renewables budget.

WREC believes it would be reasonable for existing small hydro facilities rated at 150 kW or less which participated in the original C&RD program to receive production credit of 33 percent of the maximum renewable rate credit (\$27/MWh) for all three years of the program with no estimation or true-up required. These facilities should have the same exemption from a pro rata reduction if total claims exceed \$6million in any single year that BPA is proposing for small utility customers and federal customers.

We would suggest that BPA should consider a similar straight forward approach to all very small Existing Facilities.

B. Environmentally Preferred Power

Under the current contract WREC receives, and pays a Green Energy Premium for, .5aMW per year of Environmentally Preferred Power (EPP) from BPA, each year for the contract period (2002-2006). The entire amount of the Green Energy Premium is an eligible expenditure under the C&RD. For the 2007-2009 rate period we would like to have the option of contracting annually for EPP. This would provide more flexibility within the Rate Credit Program to respond to our members' requests for Green Power compared to other conservation programs.

Thank you for your consideration of these comments and suggested changes.

Sincerely,

A handwritten signature in black ink that reads "Clay Fitch". The signature is written in a cursive, slightly slanted style.

Clay Fitch, CEO
Wells Rural Electric Company

Cc: John Saven
Larry King
Tom Hannon