PFR-049
MAY 20 2005

Asgharian,Maryam A - T

From: edhansen@snopud.com
Sent: Friday, May 20, 2005 10:03 AM
To: BPA Public Involvement
Subject: Comment on Power Function Review

Comment on **Power Function Review**
View open comment periods on http://www.bpa.gov/comment

Ed Hansen
Snohomish County P U D
edhansen@snopud.com
425 783 8730
2320 California St
Everett WA 98206-1107

Ladies and Gentlemen: We have just learned of an additional threat to our wholesale power costs from special interest requests for substantial increases in fish and wildlife funding. In behalf of our customers and ratepayers, I respectfully express strong opposition to such funding requests. All classes of District customers have been and continue to be impacted significantly by BPA's increased wholesale power costs. Our rate of disconnects for nonpayment and level of uncollectible accounts have reached historic highs for this utility. Moreover, our two largest industrial customers, Boeing and Kimberly-Clark, are seriously impacted as each must compete in world-wide markets and high power costs affect their competiveness. K-C officials have informed us their power costs at their Everett mill are now third highest among 31 K-C plants in North America and K-C cannot remain in business in Everett at our current rates, let alone the higher rates which would result from further BPA wholesale rate increases.
Ed Hansen

PFR - 050

MAY 2 0 2005

Asgharian,Maryam A - T

From: titusr@ci.ellensburg.wa.us

Sent: Friday, May 20, 2005 10:21 AM

To: BPA Public Involvement

Subject: Comment on Power Function Review

Comment on **Power Function Review**
View open comment periods on http://www.bpa.gov/comment

Bob Titus
City of Ellensburg
titusr@ci.ellensburg.wa.us
509-962-7226
501 N. Anderson St.
Ellensburg WA 98926
BPA fish and wildlife mitigation is funded primarily by utility customers. As a customer of BPA, we would like to provide the following comments on BPA's fish and wildlife spending. • BPA's customers are currently paying nearly $700 million per year in fish and wildlife costs. Further increases to BPA's fish and wildlife mitigation program are unjustified at this time, and would unnecessarily burden ratepayers. • BPA's fish and wildlife mitigation program should be based on biological goals and objectives designed to meet its legal obligations. • The measure of success for BPA's fish and wildlife program should be biological effectiveness, not the amount of money spent. • Customers support BPA's proposal to shift funding from administrative and overhead functions to projects that directly benefit fish and wildlife. • It is inappropriate and contrary to statute to expect BPA's customers to mitigate for all the problems identified in subbasin plans. Customers strongly object to paying for mitigation that is not directly related to impacts of the federal hydrosystem. • If and when science based programs are identified that require additional funding; and when existing funded programs that are not science based are eliminated; and additional funding is still required then it is time for other agencies to start contributing towards those new costs. However, at this time I do not believe there is a need for additional funding and significant saving can be obtained by eliminating funding for non-science based programs. If BPA makes any changes its funding level for Fish and Wildlife it should be a reduction not an increase.

PFR- 051

MAY 2005

Comment on **Power Function Review**
View open comment periods on http://www.bpa.gov/comment

Randy Whitaker
randy.whitaker@harneyelectric.org
1326 Hines Blvd.
Burns Or 97720

Fish and Wildlife spending

BPA fish and wildlife mitigation is funded primarily by utility customers. As a customer of BPA, we would like to provide the following comments:

- BPA's customers are currently paying nearly $700 million per year in fish and wildlife costs. Further increases to BPA's fish and wildlife mitigation program are unjustified at this time, and would unnecessarily burden ratepayers.

- BPA's fish and wildlife mitigation program should be based on biological goals and objectives designed to meet its legal obligations.

- The measure of success for BPA's fish and wildlife program should be biological effectiveness, not the *amount* of money spent.

- Customers support BPA's proposal to shift funding from administrative and overhead functions to projects that directly benefit fish and wildlife.

- It is inappropriate and contrary to statute to expect BPA's customers to mitigate for all the problems identified in subbasin plans. Customers strongly object to paying for mitigation that is not directly related to impacts of the federal hydrosystem.

- BPA has a responsibility to advocate for its customers any time decisions are being made on how the customers' money is being spent.

- Amortize long lived assets, such as hatcheries over their useful lives
  BPA-funded hatcheries are amortized over 15 years while hatcheries funded by appropriations are funded over their useful lives. BPA should re-evaluate the amortization period used for hatcheries and extend that period to be consistent with the amortization period used for appropriations

- In River Transportation Study
  We strongly recommend that for rate making purposes BPA assume that any In River Transportation Study associated with the UPAs in the 2004 Biological Opinion be moved out of the FY 07 - 09 rate period. Second, if and when such a study is conducted, BPA must work with the other action Agencies and NOAA Fisheries to ensure that the study is designed and performed in the most economical manner possible. The study should be deferred until all Removable Spillway Weirs are in place, which should occur after FY 2009. Also, those designing any study should first recognize the impacts of recent scientific studies regarding Snake River Fall Chinook reservoir life history migration patterns (delayed migrants) that have previously been counted as mortalities.

Risk Mitigation

All of BPA's program levels must also be evaluated in the context of BPA's approach to risk mitigation. Certain risk mitigation proposals that BPA has discussed could add 7 to 8 mills per kWh to the PF rate on an effective rate basis. That is, if BPA's PF rate before risk were 26.5 mills/kWh, and its rate after risk recovery were 34 mills, this would mean that 22 percent of BPA's effective rate would be related to risk mitigation. With these dramatic numbers in mind the following suggestions are offered:

- BPA must work to ensure it is not overstating the need to recover risk from its customers.
- Find a balance between BPA holding customer provided funds for risk mitigation and the customers themselves holding those funds.
- BPA should work with it customers to establish a risk mitigation approach for FY 2007 to FY 2009 that is affordable for the customers.
- Finally, re-visit the recommendations made in the 10-Year Financial Plan in the context of the rate increases that may arise from a rigid application of that plan.

3 PHASES
ENERGY SERVICES

PFR-052

MAY 20 2005

Bonneville Power Administration
P.O. Box 14428
Portland, OR 97293-4428
comment@bpa.gov

May 20, 2005

3 Phases Energy Services thanks the Bonneville Power Administration for the opportunity to comment on the May 2 Proposed Changes to PFR Base Cost. The nature of this comment requests complete funding at least at the $21 M level for renewable energy resources.

A Manhattan Beach, Calif. based solar photovoltaic and efficiency installer, direct access provider, a wholesale and retail marketer of tradable renewable certificates, 3 Phases' currently acts in the Pacific Northwest as a retailer, broker and utility partner marketer of renewable certificates. From its Portland, Ore. office, 3 Phases is the PacifiCorp renewable energy certificate supplier and marketer of the Pacific Power Oregon Blue Sky renewable energy options.

For both PacifiCorp's utility program and Pacific Northwest retail certificates customers like Starbucks and Tualatin Valley Water District, 3 Phases is purchasing tags originating from the BPA initiated Stateline, Condon, Klondike and Evanston, Wyo projects.

Awareness of and participation in renewable certificate programs in the Northwest can be measured in multiples of the national average. PacifiCorp and PGE both enjoy support of for their Oregon options at nearly four times the national average. This is due, in part to BPA's initial support and funding of these cornerstone renewable facilities.

2004 growth in participation of PacifiCorp's Oregon renewable options reached 20%. Currently more than 20,000 or 4.0% of Pacific Power's Oregon customers participate in a Blue Sky renewable option. In the 2004 National Renewable Energy Laboratory rankings of green power programs, PacifiCorp moved to 2nd in customer participation and 3rd in green power sales.

As an active participant in the Pacific Northwest renewable energy market, 3 Phases supports and appreciates BPA's past activities in renewable energy. BPA's continued support and development of projects and products in the region is essential to Pacific Northwest markets maintaining a leadership position and groundbreaking role in renewable energy.

3 PHASES
ENERGY SERVICES

3 Phases strongly urges BPA to maintain the current $15 M in the Facilitation Budget and fund the $6 M Conservation and Renewables Discount budget for at least this minimum amount over the next rate period. As 3 Phases increases the scope and scale of its activities in the region, widespread support of renewables is critical to our business model.

The current and forecasted price for gas and other fuels and the economic development of the rural communities where many of BPA's public customers are located, serves to make the place for renewables in future power planning and development critical to generation in the Pacific Northwest.

BPA's actions in this rate period signals the role of renewable energy in Northwest electricity generation, the future price of power, and the broader market support of these projects. 3 Phases asks BPA to consider the voices of renewable market participants as well as its public utility stakeholders.

Regards,

Coll Whitehead

Collin CS Whitehead
Sr. Manager, PacifiCorp Partnership
3 Phases Energy Services
721 NW 9th, Ste 300
Portland, OR 97209

PFR-053

MAY 20 2005

Asgharian,Maryam A - T

From: bchatfield@wpuda.org

Sent: Friday, May 20, 2005 12:13 PM

To: BPA Public Involvement

Subject: Comment on Power Function Review

Comment on **Power Function Review**
View open comment periods on http://www.bpa.gov/comment

Steve Johnson
Washington PUD Association
bchatfield@wpuda.org
(206) 682-3110
1411 Fourth Ave., Suite 810
Seattle WA 98101-2225

The Washington PUD Association would like to submit the following comments on BPA's Integrated Program for fish and wildlife: - Washington PUDs and other BPA customers are currently paying nearly $700 million per year in fish and wildlife costs. Further increases to BPA's direct fish and wildlife program are unjustified at this time, and would unnecessarily burden ratepayers. -The Integrated Program should be implemented through a zero-based budget, based on biological goals and objectives that have been prioritized to meet BPA's legal mitigation obligations. The measure of success for BPA's fish and wildlife program should be biological effectiveness, not the amount of money spent. -We support BPA's proposal to reprioritize the Integrated Program towards "on the ground" projects. This will increase the pace of implementation of projects that directly benefit fish and wildlife. -Although the subbasin plans provide great value by identifying limiting factors for fish and wildlife, it would be inappropriate for BPA to fund any aspects of the plan that do not relate directly to its mitigation obligations. Our members strongly object to paying for mitigation that is not directly related to impacts of the federal hydrosystem. -BPA must be a proactive participant in all forums where fish and wildlife costs are incurred by its customers. BPA has a responsibility to ensure that fish and wildlife programs outside of BPA's management – but funded through ratepayer dollars – are pursued in the most biologically sound and cost-effective way possible, and that they relate directly to BPA's mitigation responsibility. -We don't see justification for moving forward with the study of transportation in the Snake River during the next rate period. The system configuration will be in transition for a number of years due to installation and testing of RSWs. Also, the new biological information on the "reservoir" life history for Snake River fall chinook raises significant questions as to the validity of all of the survival data on fall chinook. Thank you, Steve Johnson, executive director

PFR-059
MAY 2 ...

Asgharian,Maryam A - T

From: jryckman@franklinpud.com

Sent: Friday, May 20, 2005 12:29 PM

To: BPA Public Involvement

Subject: Comment on Power Function Review

Comment on **Power Function Review**
View open comment periods on http://www.bpa.gov/comment

Jean Ryckman
Franklin PUD & Coalition for Smart Salmon Recovery
jryckman@franklinpud.com
509-546-5947
PO Box 2407
Pasco WA 99302-2407

As a customer of BPA, we would like to submit the following comments on BPA's fish and wildlife spending. • BPA's customers are currently paying nearly $700 million per year in fish and wildlife costs. Further increases to BPA's direct fish and wildlife program are unjustified at this time, and would unnecessarily burden ratepayers. • The Integrated Program should be implemented through a zero-based budget, based on biological goals and objectives that have been prioritized to meet BPA's legal mitigation obligations. The measure of success for BPA's fish and wildlife program should be biological effectiveness, not the amount of money spent. BPA cannot justify increasing its Integrated Program without performance standards, and a clear zero-based budget approach. Any amounts spent above the program's nearly $70 million of contractually obligated funding should be carefully evaluated to ensure it will be used for high priority, cost-effective and biologically sound measures. • Customers support BPA's proposal to re-prioritize the Integrated Program towards "on the ground" projects. This will increase the pace of implementation of projects that directly benefit fish and wildlife, which is the goal of BPA and the Council's program. • Although the subbasin plans provide great value by identifying limiting factors for fish and wildlife, it would be inappropriate for BPA to fund any aspects of the plan that do not relate directly to its mitigation obligations. Subbasin plans should be considered when making decisions about prioritizing projects. However, it is inappropriate and contrary to statute to expect BPA's customers to mitigate for all the identified factors because much in the subbasin plans is not BPA's responsibility. Customers strongly object to paying for mitigation that is not directly related to impacts of the federal hydrosystem. Simply adopting others' definition of BPA's mitigation responsibilities would be unfair to BPA's customers and the ratepayers of the region. • BPA must be a proactive participant in all forums where fish and wildlife costs are incurred by its customers. BPA has a responsibility to ensure that fish and wildlife programs outside of BPA's management (i.e. USACE programs, etc.), but funded through ratepayer dollars, are pursued in the most biologically sound and cost-effective way possible, and that they relate directly to BPA's mitigation responsibility. • We don't see justification for moving forward with the study of transportation in the Snake River during the next rate period. The system configuration will be in change for a number of years due to installation and testing of RSWs. Also, the new biological information on the "reservoir" life history for Snake River fall chinook raises significant questions as to the validity of all of the survival data on fall chinook.

PFR - 055

MAY 2 0 2005

Asgharian,Maryam A - T

From: workzmec@yahoo.com

Sent: Friday, May 20, 2005 12:35 PM

To: BPA Public Involvement

Subject: Comment on Power Function Review

Comment on **Power Function Review**
View open comment periods on http://www.bpa.gov/comment

J
MEC
workzmec@yahoo.com
406-541-4433
1700 W Broadway
Missoula MT 59808
BPA fish and wildlife mitigation is funded primarily by utility customers. As a customer of BPA, we would like to provide the following comments on BPA's fish and wildlife spending. · BPA's customers are currently paying nearly $700 million per year in fish and wildlife costs. Further increases to BPA's fish and wildlife mitigation program are unjustified at this time, and would unnecessarily burden ratepayers. · BPA's fish and wildlife mitigation program should be based on biological goals and objectives designed to meet its legal obligations. · The measure of success for BPA's fish and wildlife program should be biological effectiveness, not the amount of money spent. · Customers support BPA's proposal to shift funding from administrative and overhead functions to projects that directly benefit fish and wildlife. · It is inappropriate and contrary to statute to expect BPA's customers to mitigate for all the problems identified in subbasin plans. Customers strongly object to paying for mitigation that is not directly related to impacts of the federal hydrosystem. · BPA has a responsibility to advocate for its customers any time decisions are being made on how the customers' money is being spent.

PFR-056
MAY 20 2005

INDUSTRIAL
CUSTOMERS OF
NORTHWEST
UTILITIES

KEN CANON
EXECUTIVE DIRECTOR

May 20, 2005

Via Electronic and U.S. Mail

Paul Norman
Senior Vice-President, Power Business Line
Bonneville Power Administration
P.O. Box 14428
Portland, OR 97293-4428

Re: Comments on BPA's Power Function Review Closeout Letter

Dear Mr.Norman:

The Industrial Customers of Northwest Utilities ("ICNU") appreciates the opportunity that the Bonneville Power Administration ("BPA") has undertaken over the past months to work with its customers to examine the costs for the upcoming rate period. The quality of information that has been provided and the information systems developed are substantially improved from what has existed in the past. Credit goes to you, your staff and Steve Wright's initiatives.

ICNU members have had to endure five years of the impacts of very high BPA rates. Not all endured, however, and jobs have disappeared from the Northwest economy. It is essential that BPA's new rates reflect having moved beyond the enormous costs imposed on the region by the West Coast energy crisis. We need BPA to provide its customers with rates that will once again enhance the competitiveness of the region's industry.

ICNU has been active with the Joint Customers for the duration of the Power Function Review process. The recommendations of the Joint Customers are embodied in the letter to you from the Public Power Council. We support the package of Joint Customer proposals.

ICNU strongly urges BPA to adopt a Priority Firm rate target of $27 per MWh on average, inclusive of risk. Having a reasonable rate target, which we believe that is, will push BPA to providing the maximum benefit to the regional

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333 SW TAYLOR, SUITE 400
PORTLAND, OREGON 97204

economy: 1) It encourages BPA to look hard not only at the cost of what the agency is doing but also whether or not certain activities need to be done at all; 2) it also provides strong support for the implementation of the Kema recommendations identified in the Enterprise Process Improvement Program.

We recognize, however, that some of these cost reductions may not be completed before the scheduled close-out of the PFR process or not even fully planned until the rate period begins. Therefore, ICNU recommends that you establish a budget category of Unidentified Cost Reductions to close the gap between the implied rate at this stage of your PFR rate process—approximately $28 per MWh <u>before</u> risk—and the $27 <u>after</u> risk target. BPA has used such a mechanism in the past.

Finally, with regard to risk (a decision that will not be closed out with the PFR), ICNU members strongly prefer the lowest initial rate in exchange for acceptance of rate variability. By taking this approach, BPA provides the maximum flexibility to the utilities that serve ICNU customers to structure their local charges in a flexible manner—perhaps providing different treatment for residential and commercial/industrial rates. The alternative—setting rates higher through planned net revenue charges—precludes utilities from enjoying that flexibility.

We believe that a well-structured surcharge mechanism can correct for the traditional secondary-revenue variability facing the agency. We believe that the full amount of combined agency reserves should be made available for risk mitigation. We are committed to examining and fleshing out alternatives in the lead-up to your upcoming rate proposal, with a goal of consensus with the agency on how risk would be proposed in the rate proceeding.

Again, we appreciate the effort that the agency has taken toward the lowest possible rates.

Sincerely,

Ken Canon

PFR-057

MAY 20 2005

WESTERN MONTANA ELECTRIC
GENERATING & TRANSMISSION COOPERATIVE, INC.

1001 SW Higgins, Panorama Park, Suite 206, Missoula, MT 59803-1340 (406) 721-0945/721-3738 FAX

May 20, 2005

BY ELECTRONIC MAIL

Bonneville Power Administration
P.O. Box 14428
Portland, OR 97293-4428

RE: P-6 Power Function Review Comments

Gentlemen:

On behalf of the members of Western Montana Generating and Transmission Cooperative (WMG&T), we offer these comments on Bonneville's Power Function Review (PFR). The members of WMG&T, who purchase all or the majority of their power from Bonneville, serve over 100,000 consumer/members in Western Montana. We have several general comments about the PFR process and then offer comments on the conservation and renewables budgets. We will offer comments on risk management later in the process.

We have found the PFR process to be informative and the Bonneville staff very responsive. It was superior to other Bonneville budgeting processes we have participated in over the years. The PFR process suffers, however, from the fundamental weakness that despite obtaining significant information from the staff and receiving answers to our questions, it is virtually impossible to appreciate the necessary trade-offs when looking for budget savings. Short of actually working at Bonneville, the Corps or Bureau, customers or other participants cannot fully appreciate the results of recommended reductions in many budget areas. For example, if Bonneville were to demand a 10 percent reduction in the Corps of Engineers' budget, would that result in unacceptable risks to generating projects or could sufficient work be shifted into future years without an increase in plant failures? Further, while we have found Bonneville and Columbia Generating Station staff responsive to customer budget concerns, staff for other federal agencies seem less responsive to requests for reductions. This seeming disconnection of these other agencies from the people who actually pay the bills is disheartening.

We were also surprised and disappointed to compare the 2002-6 average annual expenses with the 2007-2009 period. While we are pleased to see the overall annual costs lower than the current rate period, looking at the details provides a less impressive picture. In all but three categories of costs, the future budgets are increasing over current spending. Some categories are especially shocking. For example, the Renewable Program Expenses are three times the current rate period's costs. Further, two of the cost categories that are projected to decrease have little to do with actual cost cutting: Power Purchases should necessarily be lower due to fewer purchases and Residential Exchange Settlement Payments was a negotiated reduction. It is not an impressive set of results in total compared to current spending.

Regarding conservation, the efficiencies proposed by Bonneville in order to acquire more MWs at a lower cost per unit are an excellent step. We are concerned, however, that the target established by the Power Planning Council and adopted by Bonneville represents an unrealistic goal. Further, the determination by Bonneville that it will not re-evaluate that target regardless of the rate impact of trying to achieve it is a questionable approach to budgeting. It is appropriate to consider the Council's conservation target as a general guideline, but attainment of the actual savings must be a function of the available funds. Blind adherence without a realistic assessment of the rate impact is inappropriate.

We are similarly disappointed in the final result associated with the renewables program spending. Although we heartily endorse the elimination from the budget of the Calpine geothermal project, to essentially replace that spending with spending on other as-yet undefined renewable projects is totally inappropriate. Just as with the conservation target set by the Council, the claim that the decision to spend $21 million/year on renewables in an earlier process is now sacrosanct and cannot be revisited defies all logic. This approach to budgeting renders the PFR meaningless.

Additionally, it is not clear to us why Bonneville should be subsidizing renewable projects at all. The barriers that exist for the vast majority of undeveloped renewables are the result of either uneconomic facilities or a lack of access to transmission. Thousands of MWs of renewable generation are already being developed in the region, so it is unclear what problems Bonneville's program is trying to address. This euphemistically-termed "facilitation" is beyond comprehension, especially when no specific resource commitments have yet been made.

The members of WMG&T appreciate the opportunity to comment on the PFR process. If you have any questions about these comments, please contact me.

Very truly yours,

/s/

William K. Drummond
Manager

cc: WMG&T Board of Trustees
Member System Managers
Steve Wright - BPA
Paul Norman - BPA
Marilyn Showalter - PPC
John Saven - NRU

PFR-058

MAY 20 2005

Asgharian,Maryam A - T

From: Burbank,Nita M - PL

Sent: Friday, May 20, 2005 4:25 PM

To: Asgharian,Maryam A - T; BPA Public Involvement

Subject: FW: SUB's Power Function Review Comments

-----Original Message-----
From: Manary,Michelle L - PSW
Sent: Friday, May 20, 2005 4:24 PM
To: Burbank,Nita M - PL
Subject: FW: SUB's Power Function Review Comments

From: NELSON Jeff [mailto:jeffn@subutil.com]
Sent: Friday, May 20, 2005 3:41 PM
To: Norman,Paul E - P; BPA Public Involvement; Manary,Michelle L - PFF
Cc: LINAHAN Bob; SCHMITT Bob; LOVELAND Steve; JOHNSON Tamara; LOCKHART Keith; Ko,Tina G - PSW; Quinata,Angie - PSW
Subject: SUB's Power Function Review Comments

Paul,

Springfield Utility Board's comments on the Power Function Review are attached. If you have not done so already, I would encourage you to read our earlier PFR comments that we filed regarding BPA's conservation proposal as those earlier comments provide important context to SUB's comments submitted today. SUB's earlier comments are located at http://www.bpa.gov/energy/n/Post2006Conservation/pdf/PCP_23-32.pdf

Please note that SUB's comments submitted today refer to some questions remaining unanswered. SUB just found out that BPA posted the responses to customers questions regarding the April 5, 2005 Fish and Wildlife workshop yesterday evening at 7:00pm.

You and Michelle did a great job facilitating the discussions.

<<2005_05_20 SUB PFR Comments final.pdf>>

Thanks,

Jeff

Jeff Nelson
Power Resource Manager
Springfield Utility Board
Phone: (541) 744-3779
Fax: (541) 744-2263

SPRINGFIELD UTILITY BOARD

MAIN OFFICE 250 A Street, PO Box 300 Springfield, OR 97477-0077 Tel 541.746.8451 Fax 541.746.0230 TDD 541.744.3659 www.subutil.com

May 20, 2005

Paul Norman
Senior Vice President
Power Business Line
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Re: BPA Power Function Review – P-6

Dear Paul:

Springfield Utility Board appreciates this opportunity to comment on Bonneville Power Administration's Power Function Review. SUB participated in both the technical level and management level PFR discussions and would like to extend our appreciation to all BPA staff who worked on this process. The efforts taken on behalf of yourself and Michelle Manary to facilitate BPA sponsored discussions throughout the region are especially appreciated.

Public Power Council Comments

With few exceptions (discussed below), SUB endorses the comments submitted by the Public Power Council regarding BPA's Power Function Review process and, rather than restate PPC's comments, incorporates them with this reference.

Power Function Review Scorecard

Overall, BPA's PFR process was a positive process given that it generated discussion on a variety of issues that are of importance to the region.

Feedback: PFR Strengths

Consistent Presentations on The Impact of BPA's Overall Budget
Although different groups if individuals presented information on different topics, all presentations tied their individual piece to BPA's overall cost structure. The overall cost structure format was presented at the kick-off meeting, used throughout the process, and helped tie together each of the presentations.

Responsiveness to Customer Requests for Information
Although responses were not always as rapid as one would hope, for the most part, BPA proactively responded to parties' requests for information[1]. SUB notes that some information was provided by BPA near the close of the comment window which challenged participant's ability to adequately provide comments.

Feedback: PFR Weaknesses

Clearly Define The Purpose Of The Process At The Beginning
Early on there was a lack of clarity of the purpose of the PFR and unclear implications regarding BPA's proposed decision-making generated confusion regarding the meaning of the PFR process (was in an informational process or was BPA going to reach formal decisions? If so, on what?). BPA did clarify this, but only towards the middle/end of the process. BPA should do a better job clarifying the roles and intended outcomes of a process at the beginning of the process rather than at the middle or end.

Provide Financial Choices Starting At The Beginning of The Process
Early on, SUB expressed frustration that the process was "Financial Choices without the Choices". Early PFR workshops were perceived as individual BPA functions simply justifying why costs should go up and early workshops did not provide meaningful information on the basis for evaluating the effectiveness of any cost control strategy. BPA did rectify this problem later in the process by laying out some alternative policy choices and their financial implications.

Individual Presentation Scorecards:

Note: Later presentations had the benefit of incorporating customer feedback from earlier presentations.

Transmission Acquisition (February 1)

Format of Individual Presentation	B
Clarity of Handout Information	B
Clarity of Workshop Discussion	B
Post Workshop Follow-up	B

Comments: After parties raised questions, BPA took its first stab at describing what costs would be decided in the PFR process and what would be decided in the rate case. Clarification on BPA's decision making didn't become clearer until March 14th – almost two months after the kick-off meeting.

Conservation (February 8)

Format of Individual Presentation	B
Clarity of Handout Information	A
Clarity of Workshop Discussion	C

[1] Fish and Wildlife follow up questions remain unanswered.

Post Workshop Follow-up	B

Comments: Presentation of the financial information was clear and showed historic expenditures. Conservation budgets, program design, and the process that has brought us to where we are today are discussed later in these comments.

Renewables (February 8)

Format of Individual Presentation	C
Clarity of Handout Information	D
Clarity of Workshop Discussion	C
Post Workshop Follow-up	B

Comments: BPA's "net cost" of renewables created a circular argument. No matter what costs were cut, BPA's proposal generated the same net cost impact to rates. Under BPA's method, if the avoided cost of a Combustion Turbine rises, BPA would spend more money. Of all the presentations, this presentation had the least value to SUB and generated the most frustration. This is discussed further in these comments.

Internal Operations Cost Charged To Rates (March 1)

Format of Individual Presentation	C+
Clarity of Handout Information	B
Clarity of Workshop Discussion	C
Post Workshop Follow-up	C

Comments: Because BPA's accounting of internal operations continues to change (e.g. compared to Financial Choices and prior rate cases), it is difficult to track the net change in internal operations spending. SUB suggests that, should cost or personnel allocations change in the future, BPA provide documents that show a "crosswalk" between any new method and prior allocation method. On the positive side, the March 10th meeting was much more informative. BPA's lack of ability to demonstrate why it has needed an IT staff that represents one in every ten employees raised questions on the reasoning for all levels of staffing.

Debt Service (March 1)

Format of Individual Presentation	B
Clarity of Handout Information	B
Clarity of Workshop Discussion	B
Post Workshop Follow-up	B

Comments: BPA's handout and description of debt optimization was informative.

Columbia Generating Station (March 15)

Format of Individual Presentation	A
Clarity of Handout Information	A
Clarity of Workshop Discussion	A
Post Workshop Follow-up	B

Comments: CGS representatives were prepared and clearly discussed historic and potential cost reduction actions (along with the pros and cons of those actions).

Corps of Engineers (March 15)

Format of Individual Presentation	A
Clarity of Handout Information	A
Clarity of Workshop Discussion	A
Post Workshop Follow-up	B

Comments: This was one of the more informative and well-presented presentations.

Fish and Wildlife (April 5)

Format of Individual Presentation	A
Clarity of Handout Information	A
Clarity of Workshop Discussion	B
Post Workshop Follow-up	D

Comments: Key follow-up questions remain unanswered (see BPA's notes posted April 26).

Risk Mitigation (April 6)

Format of Individual Presentation	A
Clarity of Handout Information	A
Clarity of Workshop Discussion	B
Post Workshop Follow-up	A

Comments: While decisions regarding risk mitigation will not be decided in this process, introducing risk mitigation into the discussion helped frame BPA's overall cost structure.

The Tennessee Valley Authority: A Cost Control Case Study

The Tennessee Valley Authority (TVA), which provides power to locally owned distributors that ultimately provide power to 8.4 million residents in the Tennessee Valley, provides a useful basis of comparison to BPA. The TVA has a relatively high debt load, as does BPA, and in 2004 implemented an aggressive cost control strategy that included[2]:

1) Staff Reduction: 550 personnel volunteered to leave TVA.
2) Staff Reduction: 100+ personnel were reduced through TVA's involuntary Reduction in Force program. Combined the Voluntary and Involuntary RIF program reduced overall staffing by 5%.
3) O&M Reduction: 281 staff-augmentation contractor positions were eliminated.

[2] According to 2002 Energy Information Administration Data, BPA's long term debt was 77% of total assets. TVA's debt was 71% of total assets.

4) Capital Reduction: $247 million in capital cost reductions for fiscal year 2005. Significant savings also have been identified in operating-and-maintenance and support-services costs, including contractor costs.
5) Project Management Enhancements: TVA uses a Contract Decision Model, which is assists management in identifying where the company is considering contracting out a function.
6) Debt Reduction: In 1996 TVA had $27.7 billion in debt. By 2004, TVA's debt had been reduced to $25.9 billion. In that time, the amount of each revenue dollar used to pay interest and other financing expenses has declined from 34 cents to 19 cents.

TVA was able to implement these changes while still providing affordable and reliable power to region. SUB strongly encourages BPA to be equally, if not more, aggressive in achieving short and long term cost reductions.

Fish and Wildlife Expenditures

Having reviewed documentation on the issue of BPA's Fish and Wildlife expenditures, it is SUB's conclusion that BPA's proposal for Fish and Wildlife funding is too rich.

For context, it is useful to turn to SUB's understanding of BPA's obligations under the Northwest Power Act[3]:

1) BPA's Fish and Wildlife expenditures should not be a burden on the consumers of the region.
2) BPA's Responsibility is limited to mitigating the impacts of the development and operation of the Federal Columbia River Power System (FCRPS)
3) Regarding subbasin plans, BPA is not responsible for funding all of the plans – only those tied to the impacts of the FCRPs.

Regarding the Columbia Basin Fish and Wildlife Authority's proposal to have BPA spend additional funds above and beyond their legal constraints, SUB agrees with BPA that such expenditures "would not fulfill BPA's responsibilities as a regional steward of power, transmission, and fish and wildlife resources."[4] BPA is a regional steward but not the regional steward and is not responsible, for example, for the loss of 80% of fall Chinook habitat and habitat lost for other salmon species due to non-federal hydroelectric facilities constructed along the Snake River in the 1950's[5].

BPA is just one source of funding for Fish and Wildlife (F&W) spending. Other state, federal, and private entities provide also provide funding. Since other federal funding sources are subject to appropriations by congress, it is, on one hand, understandable the fish and wildlife advocates would try to leverage BPA for additional funding. On the other hand,

[3] Borrowed from BPA's Review of the Columbia Basin Fish and Wildlife Authority Draft Fish and Wildlife Funding Proposal (April 25, 2005) and other sources.
[4] BPA's Review of the Columbia Basin Fish and Wildlife Authority Draft Fish and Wildlife Funding Proposal (April 25, 2005), page 8
[5] Seattle Times, May 9, 2003 "Rule would give utilities more profits, rights"

attempting to force BPA to provide funds for all or most of the mitigation beyond its legal obligations only perpetuates an already lopsided and burdensome funding mechanism for fish and wildlife mitigation.

The City of Springfield, Oregon spends approximately $103 per-capita each year on fish and wildlife funding. This figure is a result of SUB purchasing all of its power from BPA and BPA's total fish and wildlife costs totaling 22% of BPA's costs[6]. By comparison, the State of Oregon spends $3 per capita each year on fish and wildlife funding out of its general or lottery funds and the State of Washington spends $7 per capita each year on F&W funding out of its general fund. [*See Attachment 1*] Based on recent trends – particularly in Oregon, states are contributing less state general funds to F&W as a percentage of the total F&W funding levels. This indicates that states are leveraging federal funds in lieu of state funding and that spending more BPA funds will result in no net gain – or even continued deterioration - in regional F&W spending[7].

On the federal spending level (which makes up a large portion of State funding), BPA's F&W costs are disproportionately large. Using Columbia River Federal Basinwide Salmon Funding figures, BPA's direct fish costs averaged $248 million from 2001-2006, or 44% of all federal funding for salmon recovery. BPA's direct expenditures rose an average of 7.4% per year while other federal funding rose 4.5% per year. Including BPA's indirect costs associated with lost hydropower production for fish mitigation, BPA's F&W costs were $600 million annually, or 65% of total federal costs associated with F&W mitigation[8]. [*See Attachment 2*]

Turning back to Springfield's longstanding, substantial funding for salmon recovery, according to the 2000 Census 14.8% of families in Springfield have incomes below the poverty level. This compares to 7.9% of families in the entire State of Oregon having incomes below the poverty level. Not only are Springfield residents paying substantially more for salmon recovery than the average Oregon citizen, more and more of the relative burden of salmon recovery is being placed upon the working poor. SUB is not alone. Other northwest communities that purchase all or a substantial portion of their power from BPA contribute a significant amount toward salmon recovery – much more so per capita than the average northwest citizen does. SUB continues to be alarmed that advocates of additional BPA F&W funding appear unmindful of these facts.

Fish And Wildlife: BPA Integrated Program Funding

BPA has presented a range of potential F&W budgets for the FY07-09 period in the PFR process. The F&W potential direct project budgets range from $126 million to $174 million per year compared to $139 million per year spent in the current rate period. BPA proposed a budget of $143 million in its draft close out letter. SUB proposes a two-part funding mechanism for program spending:

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[6] And excludes each Springfield citizen's pro-rata share of State general and lottery F&W funding.
[7] This outcome is counter to the Northwest Power Act.
[8] Using BPA's $600 million per year figure for direct and indirect F&W costs, total federal funding averages $920 million per year over the 2001-2006 period. Most of BPA's F&W funding is directed toward salmon recovery.

1) BPA's base budget be pegged at the minimum level to meet its obligations under the Northwest Power Act and biological opinions: \$126 million (or less after following PPC recommendations)
2) BPA include an incremental budget of (\$143 – \$126 million =) \$17 million that could be spent on additional mitigation but only through a mechanism where matching funds equal to 50% of the cost of the project would be met through third party, non-federal funds. This is similar to other federal funding mechanisms such as the U.S. Fish and Wildlife's Challenge Cost Share Program.
3) If BPA includes the incremental budget of \$17 million discussed above, these funds should be tapped into first before implementing any rate action (risk premium or subsequent rate adjustment) to recover increased costs associated with the \$126 million baseline funding (or less) required for BPA to meet its obligations under the act and biological opinions.

BPA's proposal funds all projects with 100% BPA funds and only invites entities to treat BPA as a bottomless funding source. SUB's proposal is more consistent with the constraints on BPA's responsibilities given BPA cannot fund F&W mitigation in-lieu of other entities obligations.

Fish And Wildlife: BPA Northwest Power and Conservation Council (NWPCC) Funding

BPA recommends \$4.6 million per year of F&W expenditures be directed toward funding a portion of its contribution to the NWPCC (totaling \$9.1 million per year). However, BPA has indicated that this level of funding exceeds the statutory limit. Parties have requested information on BPA's limit on NWPCC funding and whether the \$9.1 million proposed is in compliance with BPA's responsibilities[9]. At this time, SUB does not support BPA exceeding its statutory limit on NWPPC funding. Should NWPCC require additional funding above BPA's statutory limit, it should seek funding from other sources and/or reduce its costs.

Fish And Wildlife: BPA U.S. Fish and Wildlife Service Funding

BPA originally proposed \$19.8 million per year for funding of USFS's lower snake compensation plan. This funding level is intended to provide baseline O&M expenses and some non-routine maintenance. In its close-out letter, BPA proposes to reduce this expenditure by \$300,000 per year. Reviewing historic actual expenditures vs. contracted amounts, historic expenditures have been roughly \$15.6 million from 2002 – 2004, or \$500,000 below the contracted maximum amount per year. The \$19.5 million per year that BPA proposes is a substantial jump (25%) above current funding levels. Because of the burden F&W costs place upon northwest consumers, SUB recommends BPA adopt a budget of \$17.4 million per year in the PFR process. This level represents the three-year average expenditures for the lower funding alternative presented in the F&W workshop less \$500,000 per year. The \$17.4 million represents a modest 11.5% above recent annual expenditures.

[9] BPA has yet to provide the information related to this question. See Notes from the April 5, 2005 PFR Workshop

Fish And Wildlife: BPA Corps of Engineers and Bureau of Reclamation Funding

BPA proposal is to budget $36.9 million for Corps of Engineers O&M funding and $4.4 million for the Bureau of Reclamation funding for the Leavenworth Hatchery.

Regarding the $36.9 million for the Corps of Engineers, actual expenditures for the 2002-2004 period averaged $30.7 million per year and are projected to average $34.75 million annually for the 2005-2006 period. SUB recommends that the Corp of Engineers F&W O&M be budgeted at $34.75 million for the PFR period (2007-2009) – frozen at the 2005-2006 forecast and 13.3% above 2002-2004 levels.

Following similar methodology, Bureau of Reclamation actual expenditures for 2002-2004 averaged $3.6 million and actual expenditures are forecasted to be $3.9 million for the 2005-2006 period. SUB recommends that the Bureau of Reclamation funding for the Leavenworth Hatchery be budgeted at $3.9 million for the PFR period (2007-2009) – frozen at the 2005-2006 forecast and 8.3% above 2002-2004 levels.

Fish And Wildlife: BPA Plant In Service Funding

The $300 million in outstanding fish and wildlife plant in service that has not been transferred to BPA's books is alarming. It is a financial time bomb that aggravates unsustainable increases in BPA's financial obligations. Any future plant investment should be set at the absolute minimum to meet requirements under the biological opinion.

Fish And Wildlife: BPA Transport Study Funding

BPA include flexibility in the PFR to remove the $23 million annual cost for the transport study depending on the outcome of the biological opinion.

Summary of SUB Recommendations Regarding F&W PFR Funding Levels

	2002-2006	BPA PFR 2007-2009	SUB PFR 2007-2009	SUB - BPA Change
BPA F&W Cost Components		$ in Millions		
Unsliced Hydro Operations Effects	$ 300.00	$ 356.90	$ 356.90	$ -
Integrated Program	$ 139.00	$ 143.00	$ 126.00	$ (17.00)
NWPPC Annual Avg	$ 4.15	$ 4.60	$4.60 or less	$ -
US F&W Lower Snake Compensation Plan	$ 16.50	$ 19.20	$ 17.40	$ (1.80)
Corps of Engineers	$ 32.30	$ 37.50	$ 34.50	$ (3.00)
Bureau of Reclamation	$ 3.70	$ 4.20	$ 3.90	$ (0.30)
Subtotal (excludes Plant in Service)	$ 495.65	$ 565.40	$ 538.70	$ (22.10)
Springfield Per-Capita F&W Cost Per Year	$ 103.00	$ 117.49	$ 111.95	
% increase over 2002-2006		14%	9%	

Note: SUB's PFR recommendation for baseline Integrated Program spending should be the minimum amount for BPA to meet its obligations under the Power Act and Biological Opinion. $126 million is a placeholder and SUB supports cost-effective criteria that lower this figure. SUB would support an additional $17 million above and beyond the minimum amount for Integrated Program Spending if this incremental amount were structured under a matching program where 50% for projects are funded by non-federal funds. Should BPA pursue a $17 million fund under this matching program, BPA could add $17 million into the budget.

Fish & Wildlife Costs, Cost-Effectiveness and Risk

There must be a cost effectiveness standard for all F&W activities and activities must be backed by sound science that show results will mitigate F&W impacts caused by the FCRPS system. BPA should not spend funds toward projects based on anecdotal evidence. "Hydro is only one of the four Hs that might be addressed and our funding must be guided by a unified plan that is scientifically sound and which integrates the [Northwest Power Planning] Council's fish and wildlife program with ESA issues and actions," said [then] BPA senior vice president Steve Wright[10]. SUB couldn't agree more. For the most part, SUB's funding proposals use scenarios above the minimum levels needed to sustain activities. Because F&W costs are already a burden on consumers, before implementing any risk premium or rate adjustment, all funding for F&W activities should be reduced to minimum levels. SUB does not support a risk premium associated with incremental budgets.

Conservation

SUB submitted comments in the PFR process regarding conservation funding and program design and incorporates them with this reference.

SUB submitted exhaustive comments regarding conservation funding and program design. Regarding funding levels, SUB does not support an additional budget above the $75 million proposed by BPA as part of its close out letter for Phase I of the conservation process <u>unless</u> BPA provides robust measure residential, commercial, and industrial measure lists that work for utilities. Any additional funding under this construct should not exceed $5 million.

As SUB has repeatedly stated, the budget is meaningless without a realistic target and measure lists that work for utilities. SUB received the residential measure list earlier this year (after close of comment of BPA's initial Post 2006 comment window and after the NWPPC's close of comment for the 5th Power Plan). After exhaustive requests, last week we received the measure list for commercial/industrial lighting. Based on the process for conservation to date, SUB cannot reasonably advocate for unconditional increases in BPA's budget. This is one area where SUB deviates from PPC's PFR comments.

SUB gave qualified support for the $75 million budget if the utility administrative cost recovery level was increased from 10% to <u>at least</u> 20%. This is the second area that SUB deviates (only slightly) from PPC's PFR comments. While administrative cost recovery is not a revenue requirement issue, it is an important a program design issue. PPC's comments state that administrative cost recovery should be 20%. In its April SUB has provided arguments that support at least a 20% administrative cost recovery.

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[10] Quoted in NW Fishletter, April 25, 2000. The four H's are Habitat, Hydropower, Hatcheries, and Harvest.

Briefly, other areas that SUB discussed BPA's budget levels included:

1) Decrement: SUB supports not decrementing power associated with activities under the proposed rate credit program. SUB does support decrementing power associated with bilateral agreements for Slice/Block customers (consistent with BPA's proposal). SUB would only support not decrementing slice/block power under BPA's bilateral agreements for Slice/Block customers if full and partial customers received market value for activities under bilateral agreements. This would increase BPA's budget by $21 million to $42 million annually.

2) Low Income Weatherization: In BPA's Phase I close-out letter, BPA proposed moving the $5 million for Low Income Weatherization into another budget. Afterwards, BPA released its proposal for the PFR process and the $5 million remained in the conservation budget. It is SUB's position that the $5 million for low income weatherization should remain in the conservation budget and be subject to the same cost effectiveness standards as imposed on BPA's customers[11].

Further arguments and information can be found in SUB's April 28 PFR comments to BPA regarding conservation.

Renewables

While SUB supports renewables, SUB cannot support BPA's proposed construct for the funding of the Renewables Program. There are four reasons: it creates an unclear revenue requirement, it is selective conditional budgeting in an area that BPA apparently favors, it perpetuates a disconnect of BPA's avoided costs from other activities, and it provides favorable treatment to renewables compared to conservation.

Renewables: An Unclear Revenue Requirement

BPA proposes a "net cost" methodology takes the value of its renewable portfolio based on the avoided cost of a Combustion Turbine (CT) and deducts BPA's costs. As the avoided cost of a CT increases BPA can spend more on renewables. When the issue of cost control was discussed at the technical workshop, SUB and others commented that under BPA's proposal cutting costs did not result in a reduction in rates since BPA's management target merely creates an opportunity to add other costs - resulting the same rate impact. BPA staff agreed[12]. BPA's calculation is a fabricated, self determined accounting method that creates significant rate exposure. There is room for costs to go up. BPA has stated that "Room under the [$21 million] target will vary as long as long range market price forecasts change"[13]. Rather than present concrete revenue requirement figures, BPA is promoting a fluctuating cost center rife with risk.

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[11] In order for BPA to have an incentive to fix the cost-effectiveness standards, Low Income Weatherization funding must remain in the conservation budget.

[12] BPA's notes from the February 8, 2005 technical workshop noted that SUB stated that for renewables "From what I've seen in this budget, there's not much here to go after." SUB's statement was made in the context that there wasn't a point to cut anything since it didn't make a difference.

[13] BPA appears to use "market price" and the avoided cost of a CT interchangeably – further confusing the issue.

Simply stated, BPA's proposed formula is:

CT Value less BPA's Costs = $21 million.

As the avoided cost of a CT rises (CT Value), BPA has an incentive to increase its costs. The $21 million is a "management target" and not a cost that goes into rates. BPA's Costs (in the formula above) go into rates. Despite the best intentions, if the CT Value collapses, BPA has an incentive to shuffle costs into another budget to avoid a financial implosion. However, since the Administrator presumably determines the CT Value, BPA has the ability to decide its way out of this financial conundrum – still leaving ratepayers exposed to significant costs.

BPA also refers to a "financial contribution limit" in its description for renewable funding. There is no limit if the costs fluctuate based on BPA's determination of variables used to calculate the $21 million management target. SUB is concerned that BPA would use descriptions like "limits" to its proposal – it creates the appearance of cost control when there isn't any.

Renewables: Selective Conditional Budgeting

BPA's proposed renewables funding is based on conditional budgeting. On pages 24 and 33 of the PFR Draft Closeout Report, BPA discussed the conditional budgeting proposals made by customers and poses arguments against conditional budgeting:

1) Constructing and implementing such a construct could add significant complexity.
2) Is it not clear how this concept could be implemented without making program cost levels a rate case issue – a step BPA does not wish to take.

Apparently, conditional budgeting is a step BPA wishes to take with Renewable Funding and SUB directs BPA's arguments against conditional budgeting back at BPA. It is unclear to SUB how BPA can adopt its proposed concept for renewables given the complexity and rate risk or how BPA can avoid making renewables funding a rate case issue. Instead of providing stability for renewables funding, BPA is placing renewables funding at risk in the rate case.

Renewables: Disconnected Avoided Costs

During BPA's Financial Choices process, SUB and others pointed out the inconsistent calculations between budget categories. Renewables funding used a different avoided cost (avoided cost of CT) to calculate the impact on BPA's income and, ultimately, Planned Net Revenue for Risk than market purchases and sales (market price). BPA corrected the problem, but has re-introduced different avoided cost methods for different cost and revenue centers with its Renewables Funding proposal in this PFR process. This adds a layer of complexity to BPA's risk management portfolio and obscures the actual cost to ratepayers.

Renewables: Favorable Treatment To Renewables As Compared to Conservation

There is a pecking order under the Northwest Power Act with regard to priority BPA must give to resources: Conservation, Renewables, and then other resources. BPA's treatment of renewables based on avoided cost of a combustion turbine is more favorable than the treatment BPA is giving to conservation. Setting all other above concerns aside, SUB understands BPA wanting to provide favorable treatment to renewables, but that treatment should be less than (or at least equal to) the treatment of conservation. If renewables are valued at the avoided cost of a CT, conservation resources cost effectiveness should be measured at the avoided cost of a CT as well – not the convoluted and unsubstantiated "cost-effective" conservation standard put forward by BPA. BPA staff has said that they understand that we are frustrated over the issue, but BPA management hasn't taken corrective action.

Renewables: SUB's Funding Proposal
BPA could revisit is recent Record of Decision on Bonneville Power Administration's Policy of Power Supply Role for Fiscal Years 2007-2011, however SUB proposes the following remedy that does not require that step:

For background, BPA's recent ROD states:

> "Although the costs of BPA's renewables program are recovered through BPA's rates, it is important to note that BPA is not simply planning to spend $21 million a year and embed the costs into the agency's rates. Rather, BPA will make incremental commitments over time that will eventually exhaust the $21 million management target/policy benchmark. Prior to each rate period, all committed program and power costs will be embedded into the agency's revenue requirement. Incremental spending commitments between rate periods will be covered through cash reserves and then embedded in rates in the subsequent rate period. We intend to act prudently as we select incremental investments so as not to over commit the agency in the event of a dramatic decrease in the long-run marginal cost of natural gas against which our existing and any future acquisitions will be measured.
>
> While the agency has yet to determine the appropriate LRMC for the next rate period, it is possible that a significant portion of the potential support funds may be subscribed by FY 2007. It is also possible that there will still be considerable room for additional spending, especially if natural gas prices continue their upward trajectory or remain at current, historically high, levels."[14]

SUB's suggested amendment to BPA's proposal for funding renewables is to add a maximum limit (cost cap) on renewables spending to limit exposure to ratepayers. After removing the Fourmile Hill Geothermal Project, BPA's total cost of the renewables program drops from an average of $61 million per year to $30.8 million per year[15]. SUB recommends that in addition to the $21 million "net cost" management target, BPA add a limit on program spending of $35 million per year. If the Fourmile Hill Geothermal Project cannot be not terminated, the program spending cap should be dropped to $30.8 million per year plus the cost of the Fourmile Hill Geothermal Project for a total cap of $61 million per year. This sets a reasonable limit to

[14] Bonneville Power Administration's Policy of Power Supply Role for Fiscal Years 2007-2011ROD, Page 76 of 103
[15] See BPA's February 8, 2005 Renewables Workshop Handout, Page 11 of 19

ratepayer cost exposure while giving some flexibility to BPA to potentially move forward with higher spending above current projected levels.

A final note regarding BPA's net cost calculation - should BPA allow renewables funding with the rate credit mechanism, BPA should not calculate the net cost calculation without the rate credit. BPA should include the $6 million Renewables portion of the rate credit in its net cost calculation.

SUB strongly urges BPA management to treat conservation and renewables more consistently in the future and should takes steps to coordinate efforts internally to avoid what occurred in this PFR process.

Debt Management: A Debt Reduction Strategy

SUB is concerned about BPA's growing debt. While a debt reduction strategy was not generally discussed in the PFR process, SUB requests that BPA include a placeholder for debt reduction in its revenue requirement.

SUB is bringing this issue up now instead of the rate case because of the different products BPA offers and potential constraints on equitably addressing debt reduction strictly through rate design. The goal of a debt reduction strategy should be to lower BPA's long term debt, not create opportunities to add to debt later. A debt reduction strategy should focus on accelerating re-payment of third party debt and could include:

1) Repayment of debt should BPA's reserve levels exceed a certain level. This construct may require review of the Slice product to make sure such a proposal is viable. Full, Partial, and Block customers would likely want to avoid a situation where they are the only ones paying for debt reduction.
2) Dedicating Transmission Business Line repayments due to debt optimization towards reducing third party debt rather than reducing rates.
3) Shifting the focus from debt-financing projects to expensing projects and having the difference be applied to reducing third party debt. (A mechanism similar to how debt optimization was accounted for in this current rate period)

While SUB is not advocating specific solutions at this time, SUB is proposing a long-term strategy rather than an abrupt correction to debt levels (likely resulting in a significant increase in rates and detrimental to the region). SUB encourages BPA to consider a public review and comment on a Debt Reduction Strategy. SUB would also encourage BPA to adopt its Debt Management levels in this PFR process contingent upon a long term Debt Reduction Strategy.

Transmission Costs

SUB notes that BPA's proposed treatment of PBL's transmission costs associated with secondary sales does not (and should not) predetermine the use of increased TBL revenues in the context of risk mitigation. Parties in the upcoming PBL rate case should be able to discuss the use of increased TBL revenues from PBL secondary sales including, but not limited to, repayment of treasury obligations.

Avoid Getting Stuck on Percentages To Justify Increasing Budgets

With BPA's increase in overall costs, SUB observed BPA staff appear to justify their cost proposals because the small percentage of BPA's budget. SUB would encourage BPA and others to avoid "percentitis" (the justification of expenses based on the percent of total budget). This type of approach only perpetuates larger overall budgets which, in turn, mean one can justify costs because they are a smaller and smaller percentage of the whole (or worse, increase costs to reach the same percentage). Increasing fixed costs, associated with debt service for example, appeared to create a justification in some minds that all costs should go up because they are a "relatively small" percentage of BPA's entire budget.

Respectfully submitted,

/s/

Jeff Nelson
Springfield Utility Board

cc: SUB – Bob Linahan, Bob Schmitt, Keith Lockhart, Tamara Johnson
BPA –Tina Ko, Angie Quinata

Attachments

Attachment 1

20-May-05

Fish and Wildlife Spending Per Capita

State of Oregon, State of Washingtion, Springfield Utility Board

Oregon Department of Fish and Wildlife (2-Year Budget Cycle)

	1995-1997 Actuals	1997-1999 Actuals	1999-2001 Actuals	2001-2003 Approved	2003-2005 Adopted	2005-2007 Governor's Proposal	Annual Average
General Fund	$ 12,718,453	$ 17,564,292	$ 16,719,400	$ 14,441,913	$ 10,650,611	$ 10,820,000	$ 6,909,556
Lottery Funds	$ 2,224,954	$ -	$ 5,658,084	$ 9,565,560	$ 10,297,061	$ 7,890,000	$ 2,969,638
Other Funds	$ 79,379,305	$ 101,647,991	$ 90,111,715	$ 95,491,613	$ 114,624,467	$ 112,070,000	$ 49,443,758
Federal Funds	$ 66,641,819	$ 70,200,097	$ 68,990,968	$ 96,636,551	$ 94,932,601	$ 97,180,000	$ 41,215,170
Total	$ 160,964,531	$ 189,412,380	$ 181,480,167	$ 216,135,637	$ 230,504,740	$ 227,960,000	$ 100,538,121
General & Lottery	$ 14,943,407	$ 17,564,292	$ 22,377,484	$ 24,007,473	$ 20,947,672	$ 18,710,000	$ 9,879,194
% of Total	9%	9%	12%	11%	9%	8%	10%
Federal Funds %	41%	37%	38%	45%	41%	43%	41%

Annual State Funds (General & Lottery)	$	9,879,194
Population (2000 Census)		3,421,399
State Funds per Capita per year	**$**	**2.887**

Source: Oregon Legislative Fiscal Office, Budget Highlights http://www.leg.state.or.us/comm/lfo/home.htm

Washington Department of Fish and Wildlife (2-Year Budget Cycle)

	1995-1997 Actuals	1997-1999 Actuals	1999-2001 Actuals	2001-2003 Approved	2003-2005 Adopted	2005-2007 Governor's Proposal	Annual Average
State Funds	$ 69,206,000	$ 80,783,000	$ 87,828,000	$ 90,703,000	$ 82,184,000	$ 87,749,000	$ 41,537,750
Other Funds	$ 142,461,000	$ 176,783,000	$ 214,974,000	$ 246,603,000	$ 197,813,000	$ 207,073,000	$ 98,808,917
Total Funds	$ 211,667,000	$ 257,566,000	$ 302,802,000	$ 337,306,000	$ 279,997,000	$ 294,822,000	$ 140,346,667
% State Funds	33%	31%	29%	27%	29%	30%	30%

Annual State Funds	$	41,537,750
Population (2000 Census)		5,894,141
State Funds per Capita per year	**$**	**7.047**

Source: Washington Office of Fiscal Management, State Budgets - Legislative Budget Notes http://www.ofm.wa.gov/budget/budgets.htm

Springfield Utility Board Fish and Wildlife Expenditures

SUB's Annual BPA Power Costs	$	21,500,000
SUB's Annual BPA Transmission Costs	$	3,048,000
SUB's Total Annual BPA Costs	$	24,548,000
Total BPA Costs (Power and Transmission)	$	2,700,000,000
Total BPA Fish Costs (Source: BPA, 2002-2006 figure)	$	600,000,000
Fish and Wildlife (% of BPA Costs)		22.22%
SUB Fish & Wildlife (Dollars)	$	5,455,111
Springfield Oregon Population (2000)		52,864
SUB Funds per Capita per year	**$**	**103.19**

Note: Other Funds for the State of Oregon predominantly are from user fees. Federal Funds are made up of BPA funding, US F&W funding, and other federal sources. Other Funds for the State of Washington include user fees and federal funding sources.

BPA Annual Fish Costs (2002-2006)

Direct Program Expenses	$	132,000,000
Modifications to River Operations	$	288,000,000
Capital Repayment	$	132,000,000
Operation And Maintenance	$	48,000,000
Total	$	600,000,000

Attachment 2

20-May-05

Columbia River Federal Basinwide Salmon Funding
(millions of dollars)

Department/Agency	FY 01 Enacted	FY02 Enacted	FY03 Enacted	FY 04 Enacted	FY 05 Enacted	FY 06 Pres Bud Notes	Totals
Discretionary Funding:							
Department of the Army							
Army Corps of Engineers	$ 102.70	$ 108.80	$ 113.50	$ 116.80	$ 113.30	$ 116.60	$ 671.70
Department of the Interior							
Bureau of Land Management	$ 7.60	$ 10.80	$ 11.30	$ 11.20	$ 11.30	$ 11.40	
Bureau of Reclamation	$ 20.50	$ 34.00	$ 41.20	$ 40.00	$ 43.60	$ 40.60	
United States Fish and Wildlife Service	$ 10.10	$ 20.20	$ 22.80	$ 28.20	$ 17.90	$ 15.50	
Bureau of Indian Affairs	$ 2.70	$ 3.20	$ 3.20	$ 3.20	$ 3.10	$ 3.20	
United States Geological Survey	$ 3.60	$ 3.80	$ 3.70	$ 4.40	$ 4.30	$ 4.40	
Department of the Interior Total[1]	$ 44.50	$ 72.00	$ 82.20	$ 87.00	$ 80.20	$ 75.10	$ 441.00
Department of Commerce							
National Marine Fisheries Service	$ 25.50	$ 24.60	$ 27.70	$ 27.90	$ 29.70	$ 41.40	$ 176.80
Department of Agriculture							
United States Forest Service	$ 54.30	$ 56.50	$ 44.80	$ 48.50	$ 41.50	$ 41.50	
NRCS	$ 23.90	$ 27.40	$ 39.80	$ 39.80	$ 43.40	$ 42.40	
Department of Agriculture Total[1]	$ 78.20	$ 83.90	$ 84.60	$ 88.30	$ 84.90	$ 83.90	$ 503.80
Environmental Protection Agency[2]	$ 18.20	$ 18.30	$ 18.90	$ 18.00	$ 17.00	$ 17.30	$ 107.70
Total Discretionary Appropriations	$ 269.10	$ 307.60	$ 326.90	$ 338.00	$ 325.10	$ 334.30	$ 1,901.00
Annual % Increase in Discretionary Funding		14%	6%	3%	-4%	3%	4.6% (average)
Mandatory Funding:							
Department of Energy							
Bonneville Power Administration Direct Fish Costs[3]	$ 184.00	$ 253.30	$ 237.80	$ 302.30	$ 274.60	$ 238.00	$ 1,490.00
Total Funding (Discretionary and Mandatory)	$ 453.10	$ 560.90	$ 564.70	$ 640.30	$ 599.70	$ 572.30	$ 3,391.00
BPA % of Total Funding (Direct Fish Costs)	41%	45%	42%	47%	46%	42%	44%
Annual % Increase in BPA Direct Funding		38%	-6%	27%	-9%	-13%	7.2% (average)
BPA Direct and Indirect Fish Costs	$ 600.00	$ 600.00	$ 600.00	$ 600.00	$ 600.00	$ 600.00	$ 3,600.00
Other Discretionary Funding	$ 269.10	$ 307.60	$ 326.90	$ 338.00	$ 325.10	$ 334.30	$ 1,901.00
Total Direct and Indirect Costs	$ 869.10	$ 907.60	$ 926.90	$ 938.00	$ 925.10	$ 934.30	$ 5,501.00
BPA % of Total Funding (Direct Fish Costs)	69%	66%	65%	64%	65%	64%	65%

[1] Department of the Interior and Department of Agriculture 2005 and 2006 numbers are estimates. Final allocations may change.
[2] Estimated number for 2005 pending finalization of EPA's 2005 Operating Plan.
[3] Transmission budget for 2006 is $0 ($37.9 million in FY05) due to completion of transmission projects required by 2000 Biological Opinion.

Other Note: A portion of Army Corps of Engineers funding is funded by BPA.

Source: The fiscal year 2006 Cross Cut Budget (http://www.salmonrecovery.gov/Implementation/FY_06_SALMON_CROSS_CUT.pdf)

PFR- 059

Asgharian,Maryam A - T

MAY 20 2005

From: bskeahan@cowlitzpud.org

Sent: Friday, May 20, 2005 1:01 PM

To: BPA Public Involvement

Subject: Comment on Power Function Review

Comment on **Power Function Review**
View open comment periods on http://www.bpa.gov/comment

Brian Skeahan
General Manager, Cowlitz PUD
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360-577-7527
961 12th Avenue
Longview WA 98632
The Board of Commissioners and staff at Cowlitz County PUD believe it is possible to have increased salmon runs and lower electric rates, which will both provide for increased economic opportunity for the region. With that goal in mind we are submitting these comments on BPA's fish and wildlife spending: •We believe any further increases to BPA's direct fish and wildlife program are unjustified and would put additional burden on the regions' ratepayers. While Cowlitz PUD acknowledges BPA's responsibilities under the Regional Power Act and Endangered Species Act, those responsibilities must be met in a reasonable, cost-effective manner. We see no evidence that further increases in spending would be reasonable, cost effective or appreciably beneficial to listed species. •The only measure of success for BPA's fish and wildlife program should be biological effectiveness. The Integrated Program should be implemented through a zero-based budget, based on biological goals and objectives that have been prioritized to meet BPA's legal mitigation obligations. Any funding above the program's nearly $70 million of contractually-obligated funding should be evaluated to ensure it is used for high priority, cost-effective and biologically-sound measures. •We support the BPA proposal to re-prioritize the Integrated Program towards "on the ground" projects. This matches the goal of BPA and Council programs to increase the pace of implementation of projects that directly benefit fish and wildlife. •It would be inappropriate for BPA to fund any aspects of subbasin plans that do not relate directly to its mitigation obligations. While subbasin plans should be considered when making decisions about prioritizing projects, we strongly object to BPA paying for mitigation that is not directly related to impacts on the federal hydrosystem. Much of what we see in subbasin plans is not BPA's responsibility, making it inappropriate and contrary to statute to expect BPA's customers to pay for mitigation. •BPA must be a proactive participant in all forums where fish and wildlife costs are incurred by its customers. BPA has a responsibility to ensure that fish and wildlife programs outside of BPA's management (i.e. USACE programs, etc.), but funded through ratepayer dollars, are pursued in the most biologically sound and cost-effective way possible, and that they relate directly to BPA's mitigation responsibility. •Our customers are telling us loud and clear that the higher cost of electricity continues to hurt our local economy and is eroding their quality of life. Cowlitz PUD's residential electric rates have nearly doubled since 2000, mostly as a result of BPA's rate increases. Today over 15% of the average Cowlitz PUD customer's electric bill is designated for use in BPA and our own fish and wildlife recovery programs. Thank you for providing the opportunity to comment in this process.

PFR - 060

MAY 20 2005

Asgharian,Maryam A - T

From: Steve Weiss [weiss.steve@comcast.net]
Sent: Friday, May 20, 2005 2:05 PM
To: BPA Public Involvement; Taves,John M - DR
Subject: NW Energy Coalition comments on PFR

Unknown Document

Card for Steve Weiss

Attached are the NW Energy Coalition's comments on the PFR.

Comments of the

NW Energy Coalition

on the Bonneville Power Administration's

Power Function Review

May 20, 2005

The NW Energy Coalition (NWEC) appreciates this opportunity to comment on BPA's proposed Power Function Review (PFR) decisions.

Our chief concern is that Bonneville, as a public agency, is charged with serving the broad public interest, not merely acting as an agent for its utility customers. To fulfill its obligation to the public, Bonneville must stand above immediate political pressures and short-term goals, maintaining the long-range focus essential to effective decision-making. Bonneville's value as a regional agency is not based on providing power at low rates for a few years. Its vision must extend beyond the next rate case to the long-term investments that will ensure affordable and reliable power, a sustainable economy and a healthy environment.

Frankly, given the serious energy and environmental risks the region is facing, from potential salmon extinction to expanded coal use and global warming, the PFR's important but minimal investments in fish restoration, renewables and energy efficiency suggest the agency has lost sight of its long-term responsibility to the region.

We've heard the rationales time and again. When prices are high: "We can't afford to invest in the future." When prices are low: "We don't need to invest in the future." The inevitable result of such "logic," of course, is little investment in the future. We, and more importantly, the region, expect more than that from a federal agency with such a long and proud history (not to mention the legal obligation) of looking beyond the immediate cry for lower rates. BPA's rates, when adjusted for inflation, are extremely competitive and not significantly higher than a decade ago. Cost control and efficient management is vital to a strong and effective agency. But, cost-cutting "at any cost" is unwise policy. Ultimately, the sustainable low energy costs sought by customers and essential to Northwest prosperity come from visionary investments, not modest efficiency and renewable energy budgets that constrain development..

The foremost challenge facing the energy industry is global warming. The risk of catastrophic consequences for the planet is very real, and energy production is a major cause of climate-changing carbon dioxide emissions. This risk takes the option of business-as-usual completely off the table. If one listened to comments by utilities in the PFR meetings, one might conclude that the most important issue for Bonneville is whether the PF rate will be 28, 29 or 30 mills/kwhs. But rate impacts of a few mills/kwh pale in comparison to the danger of glacier and ice-pack reductions that could raise sea levels 20 feet, or to troubling indications that the Gulf Stream's salt-driver is failing. Not to mention the 60 percent reduction in Northwest snow-pack predicted by the University of Washington. While the risk may be hard to internalize and accept, none of us foregoes insurance for house fires or earthquakes, which are statistically far less probable.

Bonneville is low balling the public's need for an "insurance policy" against the environmental damage done by the energy industry, and future cost and supply crises caused by over-reliance on fossil fuels. The agency must do better than be consumed with cost-cutting, it must focus on the real issues facing the energy industry and society: global warming; fish restoration; sustainability.

And Bonneville is uniquely positioned to do better. Its tremendous hydro base and transmission system can integrate more renewables than most utilities can. Its experience in delivering cost-effective efficiency services is unsurpassed. BPA is surely able to assume more of a leadership role; the question is whether it is willing to do so.

NWEC invested considerable resources in participating in BPA's conservation decision process and provided extensive comments. Rather than repeating our comments here, we refer the reader to our previous documents and the hearing and committee notes. Similarly, we will not address fish and wildlife issues here, other than to underscore our full endorsement of the PFR input provided by the Save Our *Wild* Salmon Coalition and the Yakama Nation.

We also strongly endorse the Renewable Northwest Project's comments on the PFR's renewable issues plank. We are particularly disturbed by Bonneville's apparent last-minute decision to significantly reduce renewables funding in 2007 and 2008. This is another example of the dangers of "penny-wise, pound-foolish" decision making – an extremely short-sighted choice, given that BPA's past forays into renewable development and facilitation have brought virtually no revenue loss, and often resulted in significant revenue gains. Not to mention provided the region with tremendous experience and leverage in the development of renewables. Reducing BPA's role in renewables is a disservice to customers who will soon be looking for ways to spend their renewable discount funds and, once allocation is implemented, soon will be seeking resources to satisfy their load growth,. BPA needs to stay actively involved with the renewables industry and maintain its momentum. Limiting these efforts to save a minuscule amount of money is irresponsible and wasteful.

Risk

We understand that the issue of risk is largely left to the rate case. The rate case, however, is not an effective forum for meaningful dialogue and developing creative solutions. We are very concerned about a fractured, dysfunctional public process in which Bonneville talks privately to its customer utilities (and DSIs and ICNU) and then with public interest groups. This is no way to develop public policy. Bonneville should conduct its negotiations with all the interest groups at the table.

NWEC makes these preliminary comments on the substantive risk issues:

- BPA must not artificially constrain its discretion to increase spending on cost-effective conservation and renewables (so-called "lost opportunity" conservation and renewables) or maintenance/upgrade opportunities that would be lost if delayed, or that present extraordinary cost savings or benefits that may arise during the rate period.

- BPA must adhere to the Fish and Wildlife Principles it adopted in the previous rate case. That includes having adequate reserves at the end of the period.

- BPA must not rely on fish operation "emergencies" as its financial and operating reserve.

- Bonneville should resist pressures to push current expenses onto future rate periods (or future generations). BPA is up to its ears in debt and faces federal restrictions on increasing that debt. Pressure on its capital budgets is already reducing its ability to finance conservation, renewables, fish restoration (especially land acquisition) and transmission. BPA should consider beginning to climb out of debt by following former Administrators Jim Jura and Randy Hardy's advice to revenue-finance a portion of capital outlays.

- Finally, Bonneville should not buy into the irresponsible charge leveled by some of its customers that "Bonneville can't be trusted with too much reserves (or revenue)," or that giving BPA too much money or discretion creates an "attractive nuisance." In our experience, BPA has been extremely responsible with its money. While we find ourselves increasingly at odds with the agency's spending priorities, we reject the attacks on BPA employees' integrity and dedication to efficiency.

Thank you for this opportunity to comment.