

MAY 20 2005



THEODORE R. KULONGOSKI
Governor

May 19, 2005

Steve Wright, Administrator
Bonneville Power Administration
PO Box 3621
Portland, OR 97208-3621

Re: BPA's 2007-2009 Conservation Budget

Dear Steve:

Thank you for the opportunity to join you and regional utility groups in calling for Northwest residents to increase their conservation efforts this spring and summer. Conservation is by far the least expensive and most accessible resource available.

Oregon applauds the commitment Bonneville Power Association (BPA) made in the Regional Dialogue Record of Decision to acquire the conservation identified in the fifth power plan of the Northwest Power and Conservation Council. The BPA has a fine record of optimizing resources to acquire conservation. I am concerned, however, that the target and budget you have proposed are too low to meet the targets in the council's power plan.

I believe BPA and the entire region must take a long-term view of their energy resources. The council's plan concluded that acquiring all cost-effective conservation is both the least-risk and least-cost approach to planning the region's electricity future. The region will have to work hard to achieve the conservation targets established in the council's power plan. This cannot be accomplished without BPA's commitment to the target and an adequate budget to achieve that target. The BPA needs to adopt a budget that establishes realistic costs per megawatt of conservation. In so doing, the goal should be to consider overall The BPA costs and revenues, not to trade one program for another.

The region looks to BPA to be a leader on this important issue. BPA has a successful historical commitment to conservation in the region. I want BPA to maintain its position as a standard bearer and establish a budget that is adequate to meet the council's power plan targets.

Thank you for your consideration of this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Theodore R. Kulongoski".

THEODORE R. KULONGOSKI
Governor

TRK:pc/asm

PFR-082

MAY 20 2005

May 20, 2005

Stephen J. Wright
Administrator & Chief Executive Officer
Bonneville Power Administration
Portland, OR 97208-3621

Dear Stephen,

You may recall our meeting at the BPA's lunchroom when I mentioned that I could not pass up the Saint Patrick's Day special -- baked salmon. Well, we all had a good laugh and I have become confident that you are a thoughtful person.

Enclosed you will find five pages of power costs and revenues that I distributed during the recent Power Function Review meetings. Aside from wondering why above-quota hatcheries should need additional funding, I have but one question to ask:

Is it time to survey the BPA's electric consumer as to whether they would "willingly accept a 0.2 cent per kwh (delta) increase to forego the benefits and costs of the four lower Snake River dams and reservoirs"?

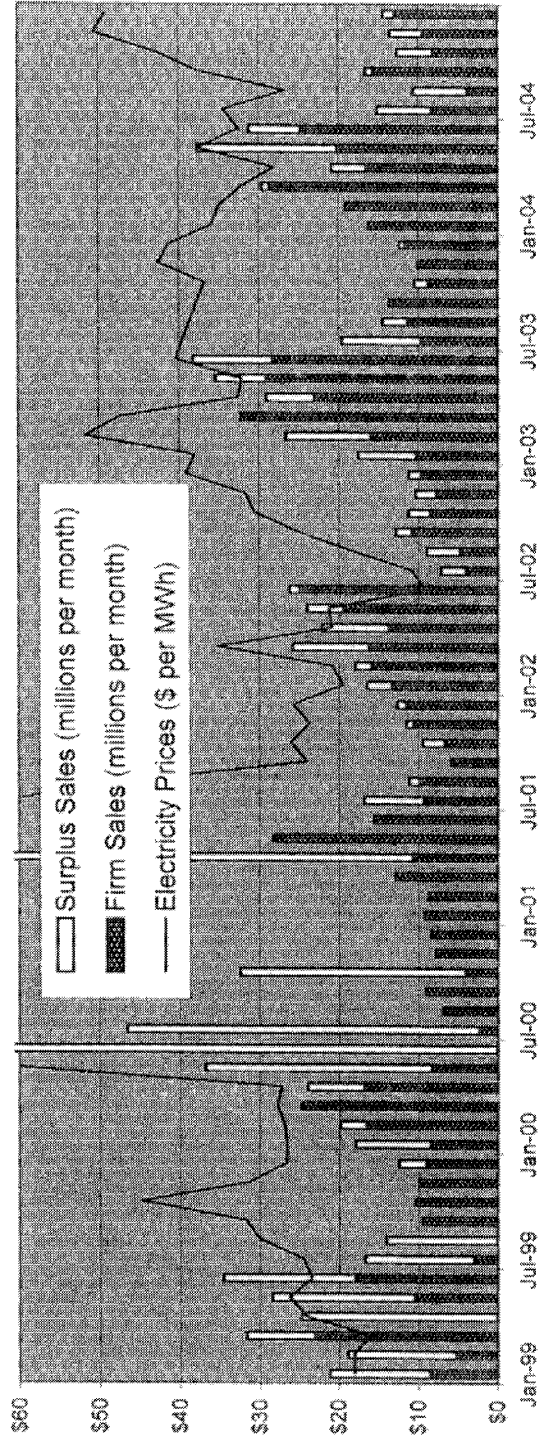
Something to think about.

Best Wishes,



Scott Levy
redfish@bluefish.org
P.O. Box 504
Ketchum, ID 83340

Costs & Revenues
 associated with the
Lower Snake River Dams
 by www.bluefish.org



Our Mission at www.bluefish.org is to facilitate an open and honest dialogue concerning the plight of Idaho's wild Salmon & Steelhead. It is hoped that the growing library of news and reports will assist the public and decision-makers in making well-informed choices regarding the recovery of Idaho's anadromous fish.

In an average water year, Lower Snake River dams produce \$270 million of electricity at a \$186 million cost. Below, www.bluefish.org has assembled all the pertinent costs involved with emphasis on accuracy and thoroughness. For further discussion on these numbers please contact www.bluefish.org.

Lower Snake River Dam Costs

Primary Source: BPA's Financial Choices Workshop & Power Function Review

	\$ Million	Paid by
ACOE Operations & Maintenance		
Lower Snake River Dams (ACOE budget FY05)	\$ 35.1	BPA Consumer
U.S. Fish & Wildlife O & M		
Lower Snake River compensation Hatcheries	\$ 17.1	BPA Consumer
Lower Snake River Debt (annual payment)		
Lower Snake River compensation hatcheries	\$ 16.5	BPA Consumer
Lower Snake River Dams current facilities	\$ 35.5	BPA Consumer
2000-2004 capital investments averaged 11 million annually.	\$ 0.8	Increases yearly by \$800,000
Idaho Sockeye 'Safety Net' Program		
\$ 0.5 NOAA fish culture, \$ 0.5 IDF&G Eagle hatchery O&M	\$ 1.8	BPA Consumer
\$ 0.4 Shoshone-Bannock limnology, \$ 0.15 U of I genetics work		
\$ 0.2 IDF&G research, monitoring & evaluation		
10% of BPA Internal Costs	\$ 11.6	BPA Consumer
Habitat Expenditures (Idaho for year 2000)	\$ 22.2	BPA Consumer
Columbia River Fish Mitigation		
Completed \$300 million of \$700 million projected total cost.	\$ 19.7	BPA Consumer
BPA Consumer share to reach \$46 million annually in 2014.	\$ 2.6	Increases yearly by \$2,600,000
	=====	
Cost to BPA Electricity Consumer	\$ 163 million	per year
Taxpayer share of Capital Expenses		
Lower Snake River compensation Hatcheries	\$ 1.6	Increases yearly by \$350,000
Lower Snake River Dams' current facilities	\$ 3.5	Taxpayer pays 9% of capital,
Lower Snake River Dams' new capital investments	\$ 1.9	the cost of navigation's share.
Columbia River Fish Mitigation to reach \$4.6 million in 2014		
Pacific Coast Salmon Recovery Fund (Idaho for 2005)	\$ 6.0	Taxpayer to State Programs
Salmon Habitat Restoration Initiative (Idaho for 2005)	\$ 0.3	Taxpayer to US Dept Agriculture
Flow Augmentation		
427,000 acre-feet to Brownlee Reservoir	\$ 3.5	Taxpayer to Bureau Reclamation
Lower Snake Channel Dredging (1980-2000 average)	\$ 3.6	Taxpayer to ACOE
Costs to Protect Lewiston from Flooding	?	Taxpayer to ACOE
Legal Costs to Defend Bush's 2004 UPA	\$ 3.0	Taxpayers to NOAA, ACOE,
	=====	BPA & Department of Justice
Cost to Taxpayer	\$ 23 million	per year
Total Annual Cost	\$186 million	

Preferred Firm average annual Revenue \$150 million

Surplus Sales average annual Revenue \$120 million Next page has calculation details

ACOE: Army Corps of Engineers

BPA: Bonneville Power Administration

NOAA: National Oceanic and Atmospheric Administration, Fisheries

UPA: The 2004 UPA suggests that since Idaho's salmon were not listed until after the LSR dams were built, that the dams should be considered as part of the background condition. Additionally, the 2004 UPA discards a dam removal contingency plan, even though the previous Biological Opinion called this contingency plan as essential in reaching a 'no jeopardy' opinion: Actions 147 and 148 of the 2000 Biological Opinion for the Federal Columbia River Power System have been removed.

Power Sales - How are they estimated?

Each Lower Snake River dam converts the gravitational energy of 100 feet of water into electricity. Hydroelectricity production is limited by the amount of water coming into the reservoir upstream, as the 100-foot elevation would decrease if outflows were to exceed inflows. Thus, electricity production is greatest during floods typical of the spring runoff.

On a typical day from September through December, the four Lower Snake River dams combined are generating about 500 aMW of electricity while the four dams on the much larger Lower Columbia River are generating nearly five times that. During the spring runoff from March through May, production on the Lower Snake nearly triples to around 1400 aMW, while the Lower Columbia picks up by a third in size to generate about 3200 aMW.

During 80% of the year, the BPA has more electricity to sell than the Northwest region consumes yet the water continues to flow downstream and the turbines harness what they can. This "surplus" electricity is sold at market prices that are often below the "preferred firm" price Northwest utilities have agreed to pay in long-term contracts. The Northwest utilities find benefit from these "surplus sales" as a swelling BPA cash reserve tends to reduce the price of future long-term contracts.

"Preferred Firm" Sales average \$150 million per year from Lower Snake dams (1999 - 2004).

BPA makes multi-year contracts with numerous Northwest utilities. The price is set for the term with several pricing mechanisms that may adjust the total price in a given year. Using the BPA's yearly Load & Resource Study, aka. The White Book, we estimate the yearly revenue from the Lower Snake River.

First we compare each year 1999 through 2004 to a water year between 1929 through 1978 to find a close match. With a good prediction of the "preferred firm" load for an upcoming year, the White Book projects the monthly surplus or deficit if that year were to be identical to the water conditions of a year between 1929 and 1978.

Next, the total yearly production of the Lower Snake is compared to the total production of the federal hydropower system. (The Lower Snake represented 9% of the total in 2000 and 2002, 11% of the total in 2003 and 2004, and 12% in 1999). The respective year's percentage multiplied by the White Book's surplus/deficit projection provides an estimate for the "surplus" attributable to the Lower Snake dams. The difference between this "surplus" and the actual Lower Snake production is assumed to be sold at the "preferred firm" rate. Multiplication yields an estimate of firm sales from the Lower Snake dams.

"Surplus Sales" averages \$120 million per year from Lower Snake dams (1999 - 2004).

Arriving at the "surplus sales" revenue provided by Lower Snake dams follows the same approach as above. The "monthly surplus" energy is a percentage of the White Book's projected surplus/deficit for a similar water year. If no surplus is projected for that month then no surplus sale is assumed. If the "monthly surplus" is greater than the Lower Snake's actual production for that month then the "monthly surplus" is reduced to the actual Lower Snake production for that month. Multiplying the monthly average Mid-Columbia electricity prices by the "monthly surplus" yields the estimated "surplus sales" attributable to the Lower Snake dams each month. Note that all "surplus sales" are priced at daytime, peak-load pricing; reduced off-peak pricing was not used. Details are at www.bluefish.org/lrsmoney.xls.

Total Hydropower Sales averages \$270 million per year from Lower Snake dams (1999 - 2004).

Total Lower Snake River hydropower sales is the "preferred firm" combined with "surplus sales". As a check of this combined estimate we look to BPA's annual reports and from the total sales we subtract transmission sales. This difference is then compared to our estimated total sales from the Lower Snake dams. While taking into account that BPA's fiscal year ends September, we find the estimate tracks well with the annual reports.

A request by the region's electric utilities would likely prompt BPA to refine the estimates provided here.

Year	Water Year Likened To	Preferred Firm Sales	Surplus Sales	Total Sales Estimate
1999	1955 and 1972 averaged	\$106	\$126	\$232
2000	1948	\$113	\$229	\$342
2001	1930	\$138	\$83	\$221
2002	1978	\$148	\$46	\$194
2003	1935	\$202	\$57	\$260
2004	1936	\$183	\$54	\$237

Spill for Salmon Passage sends water and fish over spillways rather than past turbines where electricity is produced and about 8% of juvenile salmon are fatally injured. Spill is the safest way for juvenile salmon to pass dams (97% survival is typical) but potential hydropower is not generated.

The 2004 Updated Proposed Actions places great emphasis on a new technology called the Removable Spillway Weir (RSW). The RSW requires less water to pass juvenile fish downstream and thus more water is available for power production. To date, two new RSWs have been installed on the Lower Snake River with costs running from \$11.5 to \$20 million each.

Juvenile Salmon Survival Benefits of Removable Spillway Weirs

Project	Fall	Spring/Sum		Electric Benefit	Estimated Cost
	Chinook	Chinook	Steelhead		
Lower Granite Dam	1%	0.8%	0.6%	23 aMW	\$11.5 million
Little Goose Dam	1%	Slight	Slight	2 aMW	
Lower Monumental	1%	2%	1.4%	16 aMW	\$20 million
Ice Harbor	0.9%	1.4%	1.4%	76 aMW	
McNary Dam	1.6%	1.1%	1.1%	16 aMW	
The Dalles Dam	N/A	N/A	N/A	47 aMW	

Salmon survival benefits estimates from the NOAA Fisheries 2004 Updated Proposed Actions.
Electric benefit estimates from BPA's Power Function Review and phone conversations with ACOE.

Of note is the energy benefit that the Removable Spillway Weirs provide on the Columbia River as compared to the smaller Snake River. The Columbia Basin Bulletin (10/29/4) reports:

The Corps of Engineers noted that the action agencies' Updated Proposed Action suggests that lower Columbia River passage improvements should in most cases have priority.

That document advises that the hydro projects with the lowest juvenile passage survival should receive attention first, but that improvements at the Columbia's Bonneville, The Dalles, John Day and McNary dams would benefit all species originating above Bonneville. Lower Snake improvement would benefit only Snake River fall and spring/summer Chinook and Steelhead.

Testing has been done for Spring/Summer Chinook at Lower Granite but no tests are currently scheduled for Fall Chinook at Lower Granite. The Columbia Basin Bulletin of (10/29/4) continues:

Biological testing at Lower Granite has shown that the RSW is five times more efficient at attracting juvenile salmon and steelhead than traditional spill, effectively passing more fish with less water. The studies have also shown that the fish don't hesitate or delay as long before passing the structure, making them less vulnerable to predators and allowing to them stay closer to their natural migration timeline.

More complete survival data will be available when test adults return in 3 to 5 years. Currently the BPA is budgeting for more RSW at all Lower Columbia and Lower Snake dams. After each installation, testing will take place for two or three years with operations being adjusted so as to not increase salmon mortality.

When asked at April 5th Power Function Review what would happen if salmon survival were to decrease, Corps of Engineers responded that further testing would be done to find the optimum operating conditions. When asked whether a RSW would be removed if all operating conditions brought a decrease in salmon survival, officials again responded that testing would be done to find the optimum operating conditions.

NOAA Fisheries' 2000 Biological Opinion of the Federal Columbia River Power System estimates that the Little Goose spillway has a 100% juvenile salmon passage survival. This will be difficult to improve upon.



Where could 1150 aMW come from to replace the power generated by Lower Snake River dams?

There are many ways to provide 1150 aMW, which represents 4% of the Northwest regional demand. One possible scenario combines wind energy (480 aMW) and by finding efficiencies in the existing Federal Power System (690aMW).

480 aMW of Wind Energy: 1463 MW x 33% average availability of wind resource.

The Pacific Northwest has the potential to generate 133,000 average megawatts of electricity from wind power. Montana alone could provide 15% of U.S. electricity needs.

- 350 MW from Blue Sky Wind near Dayton, Washington has begun connection work.
- 300 MW from Klondike III Wind Project by PPM Energy is near Wasco and Rufus, Oregon.
- 200 MW from Big Horn Wind Project Klickitat County, Washington is seeking interconnection.
- 200 MW from Arlington CEP Wind Project is seeking to interconnect on the McNary-Santiam line.
- 200 MW from Leaning Juniper Wind Project is seeking to interconnect on the McNary-Santiam line.
- 150 MW from Hopkins Ridge by Blue Sky Wind is seeking interconnection.
- 63 MW from Combine Hills Wind Project is seeking to interconnect on the Walla Walla-Pendleton line.

690 aMW Finding Efficiencies in Federal Power System: median age of generating units is 45 years.

400 aMW employing computer technology to optimize plant operations and gain generating efficiency. A software tool called the Near Real Time Optimizer is at the heart of the effort. \$188,000 per aMW, total investment of \$75 million is expected to gain up to 400 aMW over the next decade. Thus far, head sensing & flow index testing has achieved 80 aMW.

- 99 aMW, McNary Turbine Runner Replacement, \$172 million or 1.7 million per aMW.
- 85 aMW, Grand Coulee, 8% efficiency gain with new turbines, \$130 million or 1.5 million per aMW.
- 50 aMW, Removable Spillway Weir will reduce spill at The Dalles.
- 40 aMW, Chief Joseph Turbine Runner Replacements by 2011.
- 15 aMW, Removable Spillway Weir will reduce spill at McNary dam.
- ? aMW from increased energy efficiency at California's DC intertie substation near Los Angeles.

2,800 aMW of Conservation: 700 aMW every 5 years over 20 years.

Efficiencies are deemed achievable and cost-effective with an average cost of 2.4 cents per kWh.

- 700 aMW deemed achievable in 5 years, Northwest Power & Conservation Council 5th Regional Plan.
- 280 aMW is BPA's 40% share for 5 years invested at \$70 mil/year or \$1.25 million per aMW.

3000 aMW from a Substantial Reduction of Northwest Load

- 3000 aMW of demand has disappeared from the Northwest as aluminum smelters have closed.
- Aluminum prices have not increased enough to make up for increased cost of NW electricity.
- Under consideration is a proposal where aluminum companies receive \$40 million per year from BPA.

3,470 aMW proposed in Natural Gas Combustion Turbine projects

- 1,200 MW gas-fired combined-cycle turbine project proposed from Wanapa Energy Center Generation by Confederated Tribes of the Umatilla Indian Reservation east of Pendleton, Oregon.
- 1,160 MW a combined-cycle turbine is proposed by People's Energy near the California-Oregon border.
- 720 MW cogeneration combustion turbine is proposed next to BP refinery near Canadian border.
- 306 MW combustion turbine from Plymouth Energy is seeking interconnection near McNary dam.
- 90 MW proposed by Idaho Power near Mountain Home Air Force Base east of Boise, Idaho.

Lower Snake River dams typically provide \$120 million in "preferred firm" sales to Northwest utilities. An additional \$150 million comes from "surplus sales" primarily to California. Surplus sales improve BPA's cash reserves thereby helping to keep future contracted rates low to NW utilities.



EMERALD PEOPLE'S UTILITY DISTRICT

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General Manager
FRANK LAMBE

May 18, 2005

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

Subject: Power Function Review

Dear Paul,

I would first like to thank you for inviting me to participate in the Power Function Review. I found this process to be productive in a number of ways and well worth my time and effort. I would support a continuation of this effort. I want to also acknowledge the professionalism and tremendous effort put in by BPA, the Corp/Bureau, and Energy Northwest personnel. They all did a great job of providing information, presenting, and responding to questions.

When this started several months ago, I understood the purpose of Management level discussions was to help us understand the components and drivers of various PBL program levels. It was also to allow for more informed and productive discussion on tradeoffs and options regarding PBL programs and costs. As well, the process was to provide Bonneville with perspectives on these issues from General Managers and others. I believe your following stated outcomes were accomplished.

- Responsive to information requests
- Clearly interested in my input and tried to respond to it.
- Clear about how you will use my input in making decisions.
- Cost going into rates are clear
- BPA and its partner's commitment to making costs as low as reasonably while still accomplishing objectives.

An important by-product of these efforts should not go unnoticed and that was the dialogue, in most cases open and constructive, between the various groups at the table. This aspect, if for no other reason, is why this type of process should continue. Bonneville setting this up and facilitating this event were the key ingredients to success.

As my closing comments, I want to provide observations and remarks. These are provided from the perspective of how I would deal with similar budget/costs issues at EPUD. These are intended to be helpful and constructive and hope they will be taken in that way.

Renewables Program—Nothing to add. I support your efforts here and encourage a continuation.

Conservation Program—We have responded previously, by letter, on this subject.

Energy Northwest- Columbia Generating Station—While they should be encouraged for what they have done and are doing, it is inadequate. Their O & M, FTE, and cost of production are out of line. While they made an excellent presentation of what they are up against and were passionate about what would happen if their proposed budget were not approved – it was not persuasive. Every plant manager will make a similar argument, but repeatedly we see creativity coming from necessity. A 5.4% or \$47M increase in this budget is unwarranted. I encourage you to reduce this substantially- \$20M as a starting point.

As an editorial comment--- Bonneville must demand lower costs and this is an excellent opportunity. You cannot be a price taker, but rather must be a price setter if you have any hope of holding the line on costs. More fundamental in this case is where CGS is on the benchmarks. They can and must improve and Bonneville can help with this by holding the line on their budget. They will say it can't be done, but if you look past the human nature of this, you will see they have done it in the past and they will rise to the occasion again.

Corp and Reclamation Projects—They have done a lot to improve and should be recognized for their efforts. However, the costs increase in 2006 of 5.7% or \$44M is excessive. Benchmarks are 116% of expected in Operations and 119% in Regulatory provide opportunity to improve. While this is not as bad as CGS, the same approach of limiting the Budget will help to create ways to do “more with less”.

Internal Operations---BPA has worked very hard in this area and has made demonstrated progress. The .3% or \$3M increase in this area is better than other budget areas. There are opportunities here that could be explored. The use of consultants and contractors appears to be a way to side step fundamental change in the way business is done. The most obvious example is in Information Technology. Approximately 50% are contractors and only through the recent consolidation did we understand just how much manpower was addressing this function. Goals have been set for improvement and I would encourage acceleration of this effort.

The HR staffing level benchmark of 2x to 4x industry best practice levels is a glaring opportunity for change. The Communications area also appears to hold some promise of improvement.

Lastly Paul, I believe most utilities go at budgeting a little different than the impression I got from the PFR. At EPUD, we establish a goal first (i.e. put a budget together without a rate increase), then we do a cost and revenue calculation to see if we can make it work. Failing this we look for cuts, an error in revenue or some form of borrowing to make it work. It seems like

at Bonneville you start with what you must do, and then do the budget and you don't circle back with changes to meet a rate goal. That is hard to understand when we work from the direction of "limited funds- find another way"! I believe statements from the Administrator like "rates are not the only goal" minimizes the budget effect of holding costs down and in fact gives approval to "be safe" and ask for more. All of us have more goals than low rates, just as one of your outcomes was "...making costs as low as reasonably while still accomplishing objectives". I suggest you not minimize the budget process, but use it as a means to reach the low cost component of your goals.

Sincerely,

A handwritten signature in black ink that reads "Frank Lambe". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

Frank Lambe
General Manager
Emerald People's Utility District
Eugene, Oregon 97405

Energy Trust of Oregon, Inc.
851 SW Sixth Avenue, Suite 1200
Portland, Oregon 97204

Telephone: 1 866-368-7878
Facsimile: 503-546-6862
www.energytrust.org

PFR - 084

MAY 21 2005

Trust
of Oregon, Inc.

May 20, 2005

Steve Wright
Administrator and CEO,
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

RE: BPA Closeout Letter for the Power Function Review

Dear Mr. Wright:

On April 29th, the Energy Trust provided comments concerning renewable resources issues under discussion in the Power Function Review. I am writing to provide additional comments on the draft closeout letter for the Power Function Review process. The Energy Trust is interested in pursuing partnerships with others in the region to promote the development of renewable resources.

Background: the Energy Trust of Oregon, Inc. is a non-profit corporation established by the State of Oregon to deliver conservation and renewable resource programs under Oregon's energy restructuring legislation (SB 1149). Toward this end, the Energy Trust receives a significant portion of the three percent public purposes funding from Oregon customers of Portland General Electric and PacifiCorp.

Public purposes funding provides approximately \$10 million per year to the Energy Trust to pay the above market costs for renewable resources that will benefit PGE and PacifiCorp customers. While this funding is significant, the Energy Trust must partner with others if renewable energy goals are to be fully achieved.

Oregon has established an ambitious goal of securing ten percent of our electric energy supplies from renewable resources by 2012. To meet this goal, Oregon will need to acquire 450 average megawatts; about 45 megawatts per year. The Energy Trust is leveraging its funding with others to achieve this goal. Even at today's costs, this target will be difficult to achieve with the funding that is available. Hence, we remain eager to work with others to reduce the above market costs of renewable resources.

To date, the Energy Trust has participated in the development of renewable projects that total 47 average megawatts. Our experience has shown that there are important economies of scale for many renewable resource projects. For example, increasing the number of turbines at some wind projects can significantly reduce the unit costs of power.

Energy Trust of Oregon Comments

Funding levels: Bonneville is proposing to reduce the current level of funding and the levels that were contemplated during the Power Function Review (PFR). During the PFR, BPA discussed allocating approximately \$6 million per year for renewable resources under the conservation and renewables discount program and \$15 million for FY 2007 through FY 2009 to facilitate renewable resource development—a total of \$21 million per year.

It now appears that BPA is proposing \$6 million under the conservation and renewables discount program and \$5.5 million in FY 2007, and \$11 million in FY 2008 and FY 2009—an average of \$15 million per year.

Table 1 details Energy Trust experience to date in the above market costs of renewable resources.

Table 1. Above Market Costs for Renewable Resources and Acquisitions

	Cost per aMW: ETO share	
	Pessimistic	Optimistic
Utility-scale	\$600,000	\$450,000
Biopower	\$1,200,000	\$900,000
Solar	\$42,800,000	\$30,900,000
Cluster Wind	4,500,000	1,200,000
Other (OSP)	\$8,000,000	\$6,000,000

At the reduced funding levels being proposed, BPA it is likely to secure approximately 25 to 33 average megawatts per year if all investments made are for utility scale wind projects. This would represent approximately 25 to 33 percent of the Northwest Power and Conservation Council's Fifth Electric Plan goal to acquire all cost effective renewable resources and at least 100 average megawatts of wind energy per year. Based on our experience, acquisition levels would be much lower with the higher costs for the other potential types of renewable resources.

To find ways to secure a percentage of renewable resources that is closer to BPA's share of the Northwest energy system, BPA would need to increase the funding level and/or find opportunities to partner with others to increase the size of projects and drive down the costs.

Mutual Fund Concept: The Energy Trust remains supportive of the concept developed by the Renewable Resources Focus Group whereby Bonneville would facilitate the efforts of its customers to develop new renewable resources and sell the output in the wholesale electricity market. In the future, these resources could be used to serve the load growth of the participating customers. If load growth is placed on Bonneville, these resources could be acquired as a cost-effective way to meet such future bilateral obligations.

This proposal is especially interesting to the Energy Trust because it may provide partnership opportunities that could increase the size of a wind project and reduce the costs. Such partnerships could benefit Bonneville, your utility customers, and PGE and PacifiCorp Oregon customers.

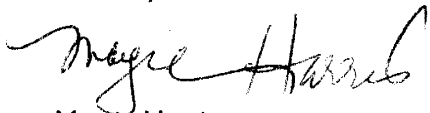
Transmission upgrades: The Energy Trust continues to support strategically targeted upgrades of the BPA transmission system. This would open up the development of promising wind sites in the Pacific Northwest and provide additional opportunities for partnerships on wind projects.

Energy Trust Funding: As stated, the Energy Trust can fund the above market costs for renewable resources that benefit PGE and PacifiCorp customers. In our above market methodology, we work to ensure that developers and utilities make use of all of the other funding programs and tax credits that are available. This allows us to stretch our limited funds to acquire as much renewable energy as possible. We look forward to working with Bonneville and its utility customers to explore how our efforts could fit with public utility renewable resource development to provide benefits for all of the consumers we serve.

Distributed Generation: The Energy Trust continues to be interested in exploring opportunities to develop renewable resources as an alternative to future transmission and distribution upgrades. We note that Bonneville's Round Table has made significant progress on this issue. There may be additional opportunities for partnerships on these projects; in particular we look forward to easing the current BPA barriers to working with your customer utilities to develop community wind projects.

The Energy Trust appreciates this opportunity to comment on Bonneville's renewable resource programs. We look forward to your continuing leadership in promoting renewable resources and would welcome opportunities for partnerships that would provide mutual benefits.

Sincerely,

A handwritten signature in cursive script that reads "Margie Harris".

Margie Harris
Executive Director