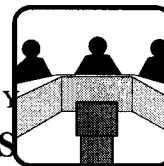


KLICKITAT COUNTY
BOARD OF COUNTY COMMISSIONERS



205 S. COLUMBUS AVENUE, ROOM 103, GOLDENDALE WASHINGTON 98620 • FAX 509 773-6779 • VOICE 509 773-4612

DONALD G. STRUCK, DISTRICT #1

JOAN FREY, DISTRICT #2

RAY THAYER, DISTRICT #3

March 3, 2005

DSI-058

MAR 09 2005

Mr. Steve Wright, Administrator
Bonneville Power Administration
P.O. Box 14428
Portland, OR 97293-4428

RE: Direct Service Industries Comments

Dear Mr. Wright:

The Klickitat County Washington Board of Commissioners is unanimous in expressing our strong support for the United Steelworkers of America (USWA) resolution and related position paper on direct service industry eligibility criteria expressed in their March 1, 2005 testimony at BPA's Direct Service Industries Open Forum.

Klickitat County's economy is, to a degree far beyond the areas surrounding the region's other smelters, dependent on the operation of Golden Northwest Aluminum's facilities. While this can be demonstrated quantitatively through statistics maintained by the State of Washington's Labor Market Economic Analysis group, suffice to say that 350 workers of the Klickitat County smelter's 750-person workforce live in Goldendale, which has a total population of 3,500 and is the largest community in the county. Restoration of any portion of those jobs, coupled with the multiplier effect of smelter jobs within the local economy, would greatly ease our county's double-digit unemployment rate and prompts our urging that BPA make this kind of local impact analysis central to its considerations.

While we are confident that the Plan of Reorganization established for Golden Northwest Aluminum more than meets the eligibility criteria suggested in BPA's draft proposal, we are concerned that creditworthiness criteria developed by BPA might create an appearance of BPA selecting "winners and losers" or "playing favorites" from among its smelter customers, potentially causing some to fail. In addition, it is unlikely any criteria of this kind can capture and fairly assess the dynamic domestic and international factors affecting aluminum smelter operations.

For that reason, we urge BPA to discard the creditworthiness test and institute other mechanisms, as discussed in the USWA and Golden Northwest presentations, instead.

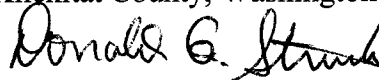
We concur with the USWA position that the aluminum industry is still vital to the region, that jobs and local economic benefits created by that industry outweigh any simple credit worthiness test, and we strongly urge BPA to create a fair allocation process that provides an opportunity for all the smelter industry that remains in the region to be successful.

Thank you for your consideration.

Sincerely,

BOARD OF COUNTY COMMISSIONERS

Klickitat County, Washington



Donald G. Struck, Chairman

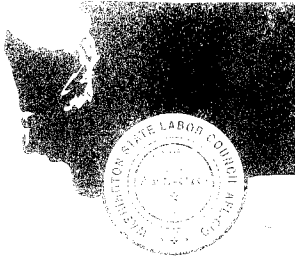


Joan Frey, Commissioner



Ray Thayer, Commissioner

CC: Governor Christine Gregoire
Senator Maria Cantwell
Senator Patty Murray
Congressman Doc Hastings
Senator Jim Honeyford
Representative Bruce Chandler
Representative Dan Newhouse



Washington State Labor Council, AFL-CIO

RICK S. BENDER, *President* • ALAN O. LINK, *Secretary-Treasurer*

314 FIRST AVENUE WEST • SEATTLE, WASHINGTON 98119

TELEPHONE: (206) 281-8901 OR 1-800-542-0904

FAX (206) 285-5805

E-MAIL: WSLC@WSLC.ORG • WEB: WWW.WSLC.ORG

March 4, 2005

DSI-059
MAR 09 2005

Steven Wright, Executive Director
Bonneville Power Administration
P.O. Box 14428
Portland, OR 97293-4428

Dear Steve:

We, at the Washington State Labor Council, AFL-CIO, adopted the enclosed resolution at our last executive board meeting held on February 23, 2005. As you may remember I was chairman of the Labor Coalition on Energy in the 1980's and 1990's. I spent 32 years at the Mead smelter and it is very sad to see it being dismantled.

Anything you, or your organization, can do to make sure that this does not happen to the Dalles or to the Goldendale aluminum plants would be most appreciated. I remember when we had 10,000 jobs in this industry.

Please enter our resolution as testimony on the allocation of Bonneville Power to the Direct Services Industries.

Best regards,

Alan O. Link

Secretary-Treasurer

WA State Labor Council, AFL-CIO

cc: David Foster
Jim Woodward

AOL:kw
opeiu8/afl-cio

Post-2006 Bonneville Power Administration Allocation to the Direct Service Industry

Whereas; The once robust aluminum industry in the Northwest provided thousands of family wage jobs for over 60 years and has been permanently decimated with the closure of five of its ten smelters as a result of the power crisis of 2000-01, and;

Whereas: The Bonneville Power Administration (BPA) has decided to serve some level of DSI load during the 2007 – 2011 rate period at a known and capped cost and;

Whereas: The BPA has prepared a straw proposal that includes 1) the level of DSI service, 2) the suggested mechanism to provide the benefits of such service, and 3) eligibility criteria to determine whether a DSI will qualify for these benefits and;

Whereas: Companies such as Goldendale Aluminum may be excluded from access to BPA power by the prejudicial financial rating system of the BPA's straw proposal, thereby preventing a future restart of smelters that would provide jobs in rural communities such as Goldendale, Washington and;

Whereas: Each of the five remaining smelters in the Pacific Northwest should have equal access to available DSI load and/or the financial benefits to be provided by BPA, and each of their communities should benefit equally from the economic opportunities afforded by access to and delivery of BPA power and;

Whereas: BPA is accepting comment and alternative proposals from interested parties from March 1 through March 11, 2005.

Therefore Be It Resolved: That the Washington State Labor Council supports a proposal by the United Steelworkers of America to the BPA that would:

1. Provide 100 MW's of power from the BPA system and/or an equivalent rate exchange to each of the five remaining aluminum plants, located in The Dalles, OR; Goldendale, WA; Wenatchee, WA; Ferndale, WA, and Columbia Falls, MT.
2. Allow companies that own more than one smelter in the region to transfer no more than 20% of the 100 MW allocation per smelter to another smelter owned by the same company.
3. Provide curtailment rights to the BPA during periods of severe drought to prevent negative impacts to consumers or threatened fish species.
4. Provide compensation during such curtailments to affected employees, local taxing authorities and to the aluminum companies to offset curtailment costs.

DSI-060
MAR 09 2005

Kuehn, Ginny - DM

From: roberte44@hotmail.com
Sent: Tuesday, March 08, 2005 3:48 PM
To: BPA Public Involvement
Subject: Comment on Additional Comments on BPA Service to DSI Customers

Comment on **Additional Comments on BPA Service to DSI Customers**
View open comment periods on <http://www.bpa.gov/comment>

bobby Ewing

roberte44@hotmail.com

p.o. box 5
custer wa 98240

I am writing you in regards to the workers at alcoa intalco works in ferndale washington. These workers need a long term affordable power contract. All they ask for is to be treated fairly. Family wage jobs are few and far between these days and if intalco was forced to close, it would devastate the community and the entire pacific northwest. Please consider the proposal that alcoa has submitted. The intalco work force is one of the safest in the usa and is proud of its safety record! These workers need your help in keeping their family wage jobs. Thanks for your time: Bobby Ewing

DSI-061
MAR 09 2005

-----Original Message-----

From: Bill Miller [mailto:bill@nvec.org]
Sent: Wednesday, March 09, 2005 9:09 AM
To: Hustad, Kenneth H - PSE
Cc: Davec@Wreca.Coop
Subject: DSI open forum

Ken: a comment:

Under no circumstances will any DSI benefit result in nothing other than a benefit to the NW region.

Kaiser took the profits from the sales of its power contract to expand it's Louisiana operations and not its facilities in the NW!!

Under no circumstances should Kaiser or any subsidiary be eligible for any kind of BPA benefits forever!!!!

bill

**WHATCOM COUNTY
EXECUTIVE'S OFFICE**

County Courthouse
311 Grand Avenue, Suite #108
Bellingham, WA 98225-4082



Pete Kremen
County Executive

DSI-062
MAR 10 2005

March 7, 2005

Stephen J. Wright
Administrator
Bonneville Power Administration
905 N.E. 11th Avenue
Portland, OR 97232

Dear Steve:

Yesterday you hosted a forum in Portland to explore options for providing service to Direct Service Industrial customers. I was unfortunately unable to be there, but I've been told that there were mixed reactions to your "straw proposal" and that several other options were put on the table.

Given your regional responsibilities and the differing opinions of your diverse stakeholder group, I know you have a very difficult decision to make. As you contemplate your options, I implore you to work with Alcoa to accommodate their needs for affordable power.

As Whatcom County Executive, I am keenly aware of the importance of the Alcoa Intalco plant to the vitality of our community. We rely on them directly for hundreds of jobs and considerable tax support for our schools, fire districts, and other vital public services. The employees and the corporation also donate hours of effort and thousands of dollars to environmental and social program throughout the county. We are a largely rural county and it would be virtually impossible for us to replace the jobs, tax dollars and benefits of their community involvement if the plant is forced to close because of high power costs.

Intalco and Whatcom County have relied on BPA service to that plant since it opened in 1968. I cannot overemphasize how important it is for BPA to continue to provide at least the same amount of power to Intalco as is available in their current contract at the same rate offered to other long-standing companies which have traditionally been served directly or indirectly with BPA power. To fail to do so would have serious adverse consequences for Whatcom County. Furthermore, if Alcoa plants do not have access to an adequate supply of affordable power, I believe the entire region will feel the loss of this export industry. It is not good economic policy to send jobs offshore. Intalco's

Stephen Wright
March 7, 2005
Page 2

operations in Ferndale fuels economic activity in Portland, Seattle and elsewhere in the Northwest.

In summary, I urge you to give favorable consideration to Alcoa's proposal and work with them to assure that BPA's decisions about the allocation and cost of power do not force Alcoa to abandon their Northwest facilities.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Kremen", with a long, sweeping flourish extending to the right.

Peter Kremen
County Executive

DSI-063
MAR 10 2005**Kuehn, Ginny - DM**

From: sealion@memes.com
Sent: Thursday, March 10, 2005 2:27 AM
To: BPA Public Involvement
Subject: Comment on Additional Comments on BPA Service to DSI Customers

Comment on **Additional Comments on BPA Service to DSI Customers**
View open comment periods on <http://www.bpa.gov/comment>

Jeff J. Goertz
Alcoa - Intalco Works
sealion@memes.com
360 312-0172
1281 Deer Creek Drive
Ferndale WA 98248

To Whom It May Concern, I will admit from the very start that I have a bias for sending this comment but nonetheless I feel I have a valid point. I am a 30-year employee of Aluminum Smelter located outside of Ferndale, Washington and over the last several years we have been hanging on by a thread as to whether we are going to stay open or not. It seems strange that before all of this controversy over power started, Intalco was always regarded as the "way a smelter should be run." We never sat back and let advances in technology pass us by. Instead we developed many of the methods that are now standard practice in the Aluminum industry. But for all the good that we have done in trying to be the most efficient smelter possible, getting most and the highest quality metal per unit of power consumed, we find ourselves cut back, limited with the possibility of closure hanging over our heads due to high power costs. I would appreciate that Alcoa's Short Term Proposal for BPA Service be given serious consideration in the light that the Intalco Smelter has been a good employer, pays their bills, provides a large tax base to the community, and the jobs along with the accompanying payroll is a huge piece of the economic puzzle of Northwest Corner of Washington State. Each and every employee is an economic machine in the surrounding community purchasing goods and services that provide for more economic throughput in the area. The entire region's economy is just now in the recovery process from several years of turmoil that plagued not just this corner of the country but the entire nation as well. It would seem that responsible people would want to nurture that recovery and not place it in jeopardy when so many things hinge on one thing such as power costs. Alcoa's proposal basically calls for equal treatment of DSI's of their caliber with all the other interested parties when it comes to allocating power. Alcoa's proposal also has provisions for them to temporarily give up power if emergency situations should occur where public safety might be hanging in the balance. Sure some of those provisions come with strings attached but one should expect that from a business. To that end we are all individual businesses that try their best to cope with the conditions and situations that are presented during the course of our day to day lives. To some things we are a soft touch and to others we are a cold-heart. Irregardless, all our respective businesses are intertwined and in one way or another depend heavily on a full recovery of other major businesses here in the Pacific Northwest. Again I would ask serious consideration of Alcoa's Proposal because I feel it will help us through the short term and then we can get with the program and set our sights on long term sustainable recovery and growth of business in this region. Thank your for your time. Jeff J. Goertz

3/10/2005

DSI-064

MAR 10 2005

-----Original Message-----

From: Tom Svendsen [mailto:TSvendsen@klickpud.com]
Sent: Wednesday, March 09, 2005 4:43 PM
To: Bloyer, Dan - PSE
Cc: Dwight Langer (E-mail); Gerry Miller (E-mail); John Saven (E-mail);
markp@goldendalealu.com
Subject: BPA Straw DSI Service Proposal Comments

<<BPA DSI comments 11-8-04.doc>>

Dan
Could you see that these comments are included in the BPA straw DSI Service Proposal. I understand comments are due 3/11/05.

Thanks

Tom D. Svendsen P.E.
General Manager
Klickitat PUD
(509) 773-7616

Public Utility District No. 1 of Klickitat County
1313 S. Columbus, Goldendale, WA 98620 * Phone 509-773-5891

March 9, 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: Additional Comments on Service to Direct Service Industries (DSIs)

Dear Paul:

Thank you for the opportunity to provide additional comments on the issue of DSI service, raised in BPA's Policy Proposal for Power Supply Role for Fiscal Years 2007-2011. Previously Klickitat PUD provided the following comment.

Klickitat PUD believes DSI's should be provided BPA service through their local utility. Comments have been submitted for BPA to reserve 500 MW for this service. DSI's able to receive service from existing BPA preference customers should be able to access this allocation. Additionally BPA should assist DSI's in integrating new renewable resources to augment this allocation. BPA's role should be to encourage and enable renewable development within the region and to this end DSI's renewable augmentation is both desirable and good public policy for the Northwest economy.

We still believe the above comment appropriate and wish to resubmit this along with the following additional comments.

Many utilities have large industrial customers, many of which use just as much BPA supplied power as a DSI. Klickitat PUD was precluded from doing the same for GAC. When Harvey Aluminum, GAC's earliest predecessor, was looking at locating a plant beside the newly constructed

John Day Dam, Joe Dressel, KPUD's representative most responsible for accomplishing siting the Aluminum plant here, tried to get service to be provided through the PUD. BPA would not allow it. Instead BPA allowed the PUD to serve a small amount of power called the wheel turning load, the lights and fans that keep the plant going, but not the production load that served the smelter. Now GAC and KPUD are being penalized because of that decision. GAC supports service through the local utility, KPUD for GAC and NWCPUD for NWA. GAC has proposed what they refer to as a pilot light program, which is enough power to support one pot line, about 100 aMW. This will allow continuous operation of enough base to ride through the tough times and allow expanded operation when market conditions allow. We support BPA's proposal for 500 aMW for this purpose. Allocated across the DSI's 500 aMW should be enough to allow this partial operation while limiting the regions exposure.

Klickitat County is in a deep economic recession and needs all the help it can get. The political reality is these family wage jobs are an economic necessity for our region. We support BPA's efforts to provide some base for which to see these smelters remain a viable part of our region. To that end BPA needs to continue down the path of finding a good long term solution to serving the DSI's.

Sincerely,

Tom D. Svendsen P.E.
General Manager



Last Mile Electric Cooperative

Deborah Ross
Manager

120 Union Ave SE, Suite 221
Olympia, WA 98501

Ph: 360.705.8800
Fx: 360.705.8801

DSI-065
MAR 10 2005

March 3, 2005

Mr. Paul E. Norman
Senior Vice President
Bonneville Power Administration
PO Box 14428
Portland, OR 97293-4428

Re: PT-5

Dear Mr. Norman:

The Last Mile Electric Cooperative is pleased to submit supplemental comments on the Regional Dialogue process relating to DSI service.

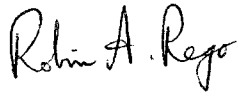
Our comments relate to questions 3, 4, and 5 of your February 4, 2005 letter. Our comments here are independent of any comments members may offer separately, or as members of an industry association.

As noted in our letter of September 21, Last Mile's mission is to provide affordable, reliable, renewable energy to rural and urban consumers. We agree with BPA's goal to facilitate the development of renewable resources through its customers. We believe that one way to do so is to encourage utilities to provide electrical service to DSIs using renewable resources acquired by utilities independently or through Bonneville.

To that end, we agree with the proposal that customers be allowed to serve reassigned DSI load at preference provided that load over 9.9 aMW be served with renewables. We would support an expansion of this concept in two ways. First, the policy should apply to *all* new large single load, not just reassigned DSI load. Second, the policy be limited to situations where a *significant* share of the new load is met through renewables. For example, if a new 10.0 aMW load is met with 9.9 aMW of preference power and .01 aMW of new renewable resource, the renewable share would be perfunctory rather than significant, and would not constitute a meaningful incentive for the customer to develop and acquire new renewable resources. What percentage of the load is deemed "significant" can be a topic for further discussion.

Thank you for this opportunity to comment.

Sincerely,



Robin A. Rego
President, Last Mile Electric Cooperative and
General Manager, Lakeview Light and Power

On behalf of:

Members of Last Mile:

Tanner Electric Cooperative

Grant County Public Utility District

Douglas County Public Utility District

Mason County PUD #3

Lakeview Light and Power

Plumas-Sierra Rural Electric Cooperative

Klickitat County PUD

Northwest Cooperative Development Center

Kittitas County PUD

Cowlitz County PUD

Bonneville Environmental Foundation

A W.I.S.H. Foundation

City of Olympia, Washington

M-S-R Public Power Agency

Peninsula Light and Power

The

PUD

Central Lincoln People's Utility District

General Office • 2129 North Coast Highway • P.O. Box 1126 • Newport, OR 97365 • (541) 265-3211 • FAX: (541) 265-5208

March 1, 2005

DSI-066
MAR 10 2005

Paul E. Norman
Bonneville Power Administration
P.O. Box 14428
Portland, Oregon 97293-4428

RE: Comments to BPA issue: DSI benefit level during 2007-2011

Dear Mr. Norman:

Central Lincoln PUD is responding to the questions contained in your February 4, 2005, letter. Your first question had to do with the cost impact to BPA's core wholesale customers in the region of the proposed benefit to DSIs. In very round numbers a \$40MM subsidy to DSIs would cost Central Lincoln's consumers an incremental \$400,000 each year. That subsidy would promote no employment within the state of Oregon nor could we, with a straight face, claim any other benefit to our service area from it.

Due to the high cost of the proposed DSI subsidy Central Lincoln urges Bonneville to look very carefully at any and all DSI business plans in reference to the second and third questions (or bullets) in your letter. Given the indecorous and cynical performance of certain DSIs during and after the western power crisis, it is incumbent upon Bonneville to preclude the possibility of any of those customers being able to take advantage of the Region as was done at that time. We wish to emphasize this in the context of there being no statutory requirement for BPA to provide any service, or have any relationship whatsoever, with Direct Service Industries.

We ask Bonneville to obtain specific economic information, from any DSI seeking a power subsidy from FCRPS customers. The information should include, but not be limited to, their anticipated employment numbers and wage levels of those jobs as well as where the jobs will be located. Additionally, each DSI's operating parameters (what it takes for them to stay open and operating) should be determined. By obtaining the preceding information BPA can realistically determine the overall economic value of the proposed DSI subsidy and determine whether that DSI customer is sufficiently viable and creditworthy to justify the region's commitment and risk. We also believe that any DSI shutting down part or all of its operation should have an immediate reduction or cessation of benefits.

From the mid-1980s to the mid-90s the smelter DSIs were given a Variable Rate related to the world price of aluminum. Since the smelters are the riskiest of the DSIs you might look back at that and consider setting a maximum benefit at your proposed cap, with a reduction to the \$10MM portion that is pegged to increases in aluminum price.

Mr. Paul Norman
March 1, 2005

Page 2

Any DSIs, newly becoming served by utilities and thus not remaining as DSI load, should be considered to be New Large Single Loads and should be encouraged to contract or partner with IPPs in long term partnerships.

Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read "Wm. A. Fleenor", followed by a long horizontal line extending to the right.

William Fleenor
President, Board of Directors



DSI-067

MAR 11 2005

(503) 233-5823
Fax (503) 233-3076
jsaven@pacifier.com

Northwest Requirements Utilities

825 NE Multnomah, Suite 1135
Portland, Oregon 97232

March 10, 2005

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

Re: DSI Service Proposal for 2007-11 Period

Dear Mr. Wright,

By letter of February 4, 2005, BPA initiated a public process for review and comment through March 11th regarding continued service to the to the Direct Service Industries customers (DSIs) for the period FY 2007 – 2011. BPA has offered a “straw proposal” for the region to consider. It includes “benefits” available to the DSIs for the FY07-11 period, up to 500 aMW, in the form of a financial transaction, and capped at \$40 million. BPA also described other alternatives.

At BPA’s request, NRU staff participated in the March 1st DSI forum and offered a set of ideas regarding this topic. The purpose of this letter is to now convey the policy position of the NRU Board of Directors concerning any future DSI service. These recommendations are offered at an overview level, with the understanding that if they are endorsed by BPA, the DSIs, and other customer groups, BPA will be required to develop additional details. Individual members of NRU may have differing views from the position expressed in this document, and they are encouraged to express their recommendations to BPA directly.

NRU Assumptions/ Preconditions Regarding Future DSI Service

The DSIs as a customer class have no statutory or contractual right to continued BPA service of any kind following the expiration of current contracts in September of 2006.

New long term contracts are offered by BPA that recognize public powers’ statutory public preference rights to the generation output of the FBS, and such contracts are supported by the DSIs and other customer groups.

Further, it must be recognized that implementation of an FBS allocation through rates and contracts will assign to preference customers the entire output of the Federal generation resources, leaving no embedded cost FBS power to serve the DSIs. As a consequence, service to the DSIs during FY 07 – 11 likely will require augmentation purchases from the market, and as a result, if “rolled in” will impose costs on all preference customers (Full requirements, Partial, Block and Slice).

BPA's current rates to preference customers are about \$30/MWh. The BPA Joint Customers – which includes NRU – have stated to BPA that through the Power Function Review and other mechanisms, during the FY07-11 period, the average Priority Firm rate must decline to no more than \$27/MWh, including the costs of providing a rate subsidy to the DSIs.

Based on BPA information, during the FY 02 – 06 period, the DSIs as a class will be purchasing less than 300 aMW of power from BPA under the IP rate. Actuals are as follows: FY 02 – 64 aMW, FY 03 – 33 aMW, and FY 04 – 289 aMW. BPA projects for FY 05 - 265 aMW and FY 06 – 271 aMW.

Criteria for NRU Proposal for FY 07 – 11 DSI Service

Any FY07-11 service to the DSIs should be governed by the following criteria:

- An allocation proposal that is acceptable to public power, and applying to the generation resources of the FBS, is supported by the DSIs and other customer groups, and that BPA agrees to implement it without substantial modifications.
- The DSIs will remain a separate customer class and will purchase power directly from BPA rather than through a local utility.
- Any DSI transaction should be focused primarily on preserving existing jobs.
- A distinction should be drawn between DSIs that are currently operating, since they have helped pay BPA's costs during a very difficult period, and those that are shut down.
- Any DSI should have fulfilled all BPA contractual financial obligations to BPA to be considered for future service.
- DSIs should have the contractual right to temporarily close for economic reasons, but should bear the higher risks of this option by paying the costs of a "put" option to ensure that resale of power purchased initially for DSI service does not shift costs to other customers.
- DSIs should demonstrate sufficient credit worthiness (for example like BPA demands of Slice customers) to ensure that other customers are not harmed in the event of a longer term closure or curtailment of a facility supplied by BPA.
- DSI's should not in any circumstances have remarketing rights to Federal Power if they close for economic reasons.
- The DSI rates should not be lower than the effective rates paid by preference customers.

- There should be no special programs offered by BPA to pay DSI employees while they are not working due to short or long term plant closures.
- Any power supply arrangement with the DSIs should not reduce the amount of power available for allocation to the preference customers for the post 2011 period.
- The costs of any DSI program, when combined with the other elements of a BPA revenue requirement, should not impose on preference customers costs such that the \$27 MWh target average PF rate is exceeded. If BPA cannot meet the \$27 target, NRU would not support at any level the additional costs associated with DSI service, either in the form of power supply or financial benefits.

Specific Proposal Elements

- BPA should offer a power sale to the DSI customer class of up to 500 aMW for the FY07-11 period, contingent upon an average PF rate target of \$27 MWh, including risk, not being exceeded. The Agency should seek the agreement from preference customers in the region that they will not attempt to “stand in front of” this transaction. The DSI offer should be segmented into two components, the first available only to currently operating DSIs, and the second available to all DSIs that meet general program qualification standards.
- Up to 300 aMW of the total 500 aMW offer will be made available to DSIs that purchased power from BPA during the FY02-06 period in amounts equal to power each DSI purchased from BPA during that period. In allocating the 300 aMW, BPA should provide power at least equivalent to the FY 04 – 05 DSI power purchases so that current jobs within the DSI sector are not adversely impacted. This power would be sold under a separate rate schedule that includes the costs of a “put” option for those DSIs that want the ability to temporarily shut down due to overall economic conditions.
- In addition to the 300 aMW described above, if the \$27 MWh PF rate target is not exceeded, BPA should offer a further 200 aMW to all qualifying DSIs, regardless of whether they took power from BPA during the FY02-06 period. An offer would be made on a year to year basis, or longer, over the upcoming three year BPA rate period. BPA would contractually commit to pay up to the sum of the PF rate plus \$10/MWh to acquire power on the market to provide this additional 200 aMW of power. Individual DSIs could pay any differential required for BPA to make such purchases if the actual market price exceeded the PF rate plus \$10/MWh. DSIs that desire the ability to shut down for economic reasons would also pay the costs of the “put” option.

Financial Impacts

Service to the DSIs of up to 500 aMW of power deliveries would only be available if the \$27 MWh average PF target rate (note that risk coverage or PNR is included within this \$27 mill cap) is not exceeded for public preference customers. Thus in this proposal there is no \$40 million financial cap per se as contained in the BPA "straw proposal", but rather a PF rate cap, as well as the maximum amount of 500 aMW. In other words, the PF rate cap could result in a lower level of DSI service, say 200 aMW, or potentially no service.

Future market conditions are unknown, and involve an element of risk. For example, with a \$27 MWh PF rate, and markets at say \$42, then the cost of 300 aMW of DSI service would be approximately \$39.4 million. The additional 200 aMW of DSI service, limited to a \$10 differential, would add \$17.5 million, for a combined total of \$56.9 million in a \$42 market. In a \$45 market, for example, the cost of DSI service would be \$7.9 million higher, for a total cost of \$64.8 million. Thus in these two scenarios the impact on the PF rate would be in the range of 0.7 to 0.8 milis/kWh. This would be allowed only if the \$27 MWh is not exceeded. Conversely, DSI service, starting with the second 200 aMW, and possibly the whole program would be scaled back or eliminated if necessary to keep the average PF rate with risk at \$27.

Once a contract offer is made to a DSI during a rate period, it would be honored, and not adjusted, regardless of subsequent potential changes in BPA's financial position during the rate period.

Summary

This proposal keeps BPA in the power business rather than distributing financial benefits to a designated group of customers. The proposal protects NRU members and other preference customers by establishing an overall rate precondition. The proposal preserves existing jobs, while allowing for some return of currently idle jobs, up to 500 aMW of total DSI load, if the rate test is maintained. This proposal aligns the business interests of the DSIs and public power, in working to keep rates at an acceptable level. Perhaps most important, it also provides that the FBS is held for BPA's preference customers for the future.

Sincerely,



John Saven, CEO

CC: NRU members
Kevin O'Meara, Public Power Council

DSI-068
MAR 10 2005

March 11, 2005

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

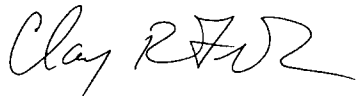
Re: DSI Service Proposal for 2007-11 Period

Dear Mr. Wright,

Wells Rural Electric Company (WREC) is an all-requirements customer of BPA and a member of NRU. WREC agrees with NRU's assumptions and preconditions for service for FY 07-11 DSI service and supports the criteria by which any FY07-11 service to the DSIs should be governed and the specific proposal elements that are outlined in the letter sent to you by John Saven on behalf of the NRU membership.

The proposal protects NRU members and other preference customers by establishing an overall rate precondition along with other criteria to help mitigate risk, including the requirement that no power or benefits will be provided to DSIs that are not credit worthy. Additionally, WREC believes that credit worthy DSIs that are served should be required to provide financial instruments in the form of bonds or letters of credit that shield financial obligations from other customers in the event of default.

Sincerely,



Clay Fitch, CEO
Wells Rural Electric Company

Cc: John Saven



DSI-069
MAR 11 2005

Commissioners

Nancy E. Barnes
Carol J. Curtis
Byron H. Hanke

Chief Executive Officer/
General Manager

Wayne W. Nelson

March 11, 2005

Mr. Paul Norman
Senior Vice President
Bonneville Power Administration – PT-5
P.O. Box 14428
Portland, OR 97293-4428

RE: DSI “Strawman” Proposal

Dear Mr. Norman: *Paul*

Clark Public Utilities welcomes the opportunity to respond to your request for comments on the DSI strawman proposal described in your letter of February 4, 2005. Clark supports the comments of the Public Power Council and the Western Public Agencies Group, particularly their statements on limiting the cost to \$40 million per year and providing benefits only to smelters that are running.

However, the PPC comments do not address an issue of concern to Clark, as a utility that could potentially have a DSI in its service territory. Evergreen Aluminum, which is located in Vancouver, is owned by Glencore. Although it appears unlikely that this smelter will operate, we are concerned with the potential impact on our ratepayers if the plant does run and BPA passes responsibility for serving the DSIs to local utilities. Service from the local utility may be BPA’s preference, but it is not Clark’s. Since BPA’s strawman proposes to pay the subsidy only after the fact, and the subsidy will probably not cover all of the costs or all of the power needed, it appears that the serving utility would be left holding the bag if a DSI did not pay for its power.

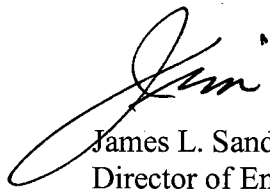
We cannot expose our customers to this potential loss. Neither do we want BPA to absorb such losses as the deepest pocket. If BPA wishes to provide power to the DSIs, the credit requirements must be very stringent. Each DSI’s credit-worthiness should be evaluated based on past performance and current financial strength. If a DSI does not qualify for credit on the same terms that BPA uses with utility customers in other contexts or with non-WSPP counterparties, the DSI would not qualify for BPA assistance.

Mr. Paul Norman
March 11, 2005
Page two

An industry that relies on large quantities of cheap power in the Northwest is quite possibly an anachronism in today's environment. If BPA chooses to subsidize this industry, we hope BPA will do its best to protect its other customers from excessive costs and risks.

Thank you for considering Clark's point of view on this important issue.

Sincerely,



James L. Sanders
Director of Energy Resources
Clark Public Utilities

BB/pw



Public Utility District No. 1 of Cowlitz County, WA
961 12th Avenue ♦ PO Box 3007
Longview, WA 98632
(360) 423-2210 ♦ WA Toll Free (800) 631-1131
Fax: (360) 577-7559 ♦ Web: www.cowlitzpud.org

Board of Commissioners
Merritt H. (Buz) Ketcham Edward M. (Ned) Piper John M. Searing

General Manager
Brian L. Skeahan

DSI-070

MAR 11 2005

March 11, 2005

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

RE: DSI Comments

On behalf of the Board of Commissioners of Cowlitz County PUD, I want to provide comments regarding the continued provision of service and benefits to the region's Direct Service Industrial Customers.

The DSIs have a long history of seeking a favored status from BPA, whether it be offering interruptibility of its top quartile service, tying the price of power to the price of aluminum, or a multitude of rate case arguments over the past 25 years. Now yet again, the industry is asking for assistance from BPA, and ultimately the ratepayers of the (primarily) publicly-owned utilities BPA serves. More clearly than ever, the aluminum industry is asking for what only can be described as a subsidy from the ratepayers of publicly-owned utilities, to assist them in their continued operation.

I currently serve as a general manager of a service territory that recently lost a DSI, and also formerly managed a rural service territory utility that may lose a DSI that historically has been the most significant contributor to its local economy. Thus I am aware of, and sympathetic to, the difficulties BPA, public power and the local communities face as they attempt to determine an appropriate answer to the issues BPA has posed.

BPA will receive many comments addressing the questions of how, how much, and to whom it should provide benefits. (By not including the "if" question, I am recognizing that BPA, in its February Regional Dialogue ROD, has taken that issue off the table.) But before moving to comments on these questions, I believe it is useful to articulate my thoughts on what is perhaps the most relevant question: Why is BPA willing to yet again make a special accommodation for the region's aluminum industry?

Paul Norman's February 4, 2005 letter provides a general answer; ".....BPA's goals of sustained DSI operation and attendant job creation and retention" (p. 2), "The power or financial benefit will only be provided in support of actual DSI operation and employment" (p3). It appears that BPA's willingness to again ask the ratepayers of publicly-owned utilities to support the DSIs is a result of a desire to retain jobs.

It is my understanding that there are approximately 940 employees at the region's three operating facilities today: Alcoa Ferndale, Alcoa Wenatchee, and Glencore's Columbia Falls facility. (This does not include Port Townsend Paper which is discussed below.) I believe BPA should be clear that the answer to the "why" question is an attempt, on behalf of BPA, to be part of a solution to preserve those 940 jobs. In saying that definitively, BPA would also be stating what its goal is not:

- BPA cannot and should not guarantee that all of these 940 jobs can be preserved.
- BPA cannot and should not take on sole responsibility for the preservation of these jobs.
- BPA cannot and should not set the re-start of closed facilities as a goal. There is now ample evidence that these facilities are not economically viable businesses in a reasonable range of contemporary aluminum prices and PNW electricity costs.
- BPA cannot and should not attempt to return to employment all (or even a significant majority) the workers formerly but not currently employed in the industry.
- BPA cannot and should not attempt to respond to the owners (be they historic owners or more recent entrants to the industry) who may or may not plan to re-open currently idled facilities (as we have seen here in Cowlitz County).

Thus, why is BPA willing to yet again make a special accommodation for the region's aluminum industry? BPA's answer to this question should clearly and definitively be for the preservation of approximately 940 currently employed workers and resolution of the amount of the benefits that should be provided. To a lesser extent, how these benefits should be provided becomes a more simple matter.

The three above referenced facilities have unique characteristics which make their continued operations feasible. The Northwest Power and Conservation staff prepared a paper which is now incorporated into the fifth plans load forecast section that compellingly addresses this precise point. The fact that these are the only three facilities currently operating provides real world support for the economic arguments presented by Council staff.

I am aware of elected officials in at least two areas with closed smelters, who have publicly expressed their opposition for efforts to reopen these smelters at the cost of their other ratepayers. These communities have assimilated these lost jobs and have begun the process of building more diversified economies for the future. They do not believe a continued reliance on the cyclical and increasingly tenuous aluminum jobs is in the best interest of their communities.

BPA's "strawman" proposal suggested a level of benefits to be known and capped at a level not to exceed 500 average megawatts at a cost to other ratepayers of \$40 million. It is my understanding that this level of benefit would have an impact of approximately one-half mill on the PF rate. We are not enthusiastic in supporting a proposal which add a half-mill to our wholesale power cost. At the same time Cowlitz PUD believes

that this is a reasonable limitation to the benefits to be provided, as 500 AMW would provide approximately half the needs of the Ferndale, Wenatchee (net of Chelan supply and CFAC facilities), and thereby provide a cornerstone for the preservation of the currently employed workers.

The matter of whether BPA provides benefits to these industries through a direct power sale or through financial benefits has received much debate within the region. BPA is certain to receive a multitude of comments and proposals on this matter. Providing financial benefits rather than direct power did not initially appeal to me, nor did it to at least some of Cowlitz PUD's industrial customers. We continue to have concerns over the principle of providing direct financial payments to a struggling industry. The mechanism to provide financial benefits is, to many in public power, reminiscent of how BPA provided benefits to the IOUs. As you well know, that is a matter currently subject to litigation.

That said, BPA staff is to be commended for developing a proposal that can clearly limit the financial impacts and risk on public power ratepayers and can result in benefits being provided upon the region's attainment of the reason for providing this subsidy, the retention of jobs.

Should BPA move away from its proposal to provide financial benefits and rather provide power to these industries, it should only provide that power with assurances comparable to that achieved by its financial benefits proposal, – i.e. the cost is known and capped, risk is negligible, and continued employment in return for the benefit is assured. Should power be provided:

- It must not result in a reduced amount of FBS being available to public utility customers, either now or in the future, under an allocated system.
- Such power should not be priced below the equivalent flat PF rate.
- The DSIs should not have remarketing rights to this power.

Cowlitz PUD wishes to make clear that whatever arrangement is made, it must be limited to the 2007–2011 period, and shall not be precedential regarding the provision of post-2011 benefits to the DSIs. As noted above, the region's aluminum industry has time-and-time again asked for, and received, consideration from public power ratepayers.

There are those in public power who recall that upon expiration of the 1980 contracts, the DSIs were to leave the federal system and achieve energy independence. The support of post-2001 contracts was, for many in public power, predicated upon the promise of at least some in the aluminum industry of leaving the federal system at this time. There is understandable fear that by making this accommodation we will be setting the stage for an indeterminate subsidy to the aluminum industry.

For this not to occur, the industry, public power, BPA and political leaders must begin immediately to seek out ways to maintain these jobs that do not depend upon the subsidy of a subset of the PNW population: public power ratepayers. Much of the benefits derived from these facilities and associated jobs are local. There are those who have said there is a national interest in maintaining at least a minimal aluminum smelting presence in this country. That being the case, I believe that the region should seek out a combination of local, state, and federal tax policies that encourages the continued presence of the PNW aluminum industry, and more directly ties the cost of that preservation to those who benefit from it. Property tax exemptions for smelters, tax increment financing ability for construction of power generation facilities located near (and serving) smelters, and state tax exemptions from fuel are ideas that should be explored in order not to continue to rely on ratepayer assistance post-2011.

Finally, a brief word regarding Port Townsend Paper: This relatively small DSI has become an anomaly in the PNW. While historically most DSI customers were aluminum smelters, there were several non-aluminum DSIs, all of which had relatively small loads. It is my understanding that Port Townsend is one of the few, if not only such DSI which continues to exist. Cowlitz PUD is not opposed to BPA's efforts to provide a modest level of support either directly to Port Townsend or through its local publicly-owned utility.

Thank you for considering my comments on behalf of the Board of Commissioners of Cowlitz County PUD.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Skeahan". The signature is fluid and cursive, with a prominent initial "B" and a long, sweeping tail.

Brian Skeahan
General Manager

PUBLIC UTILITY DISTRICT NO

of Whatcom County

1705 Trigg Road • Ferndale, WA 982

P: (360) 384-4288 • F: (360) 384-48

March 11, 2005

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

DSI-071

MAR 11 2005

RE: Additional Comments on BPA Service to DSIs Post-2006

Dear Mr. Norman:

These comments are submitted on behalf of Public Utility District No.1 of Whatcom County (“WPUD”). We appreciate the opportunity to provide further input to BPA with respect to the nature of service to the DSIs, post-2006. WPUD supports BPA’s proposal to provide, at some level, continuing benefits to the DSIs, during the 2007-11 period.

At the DSI Open Forum held on March 1, Steve Wright asked that those parties participating in the forum focus their comments on three items: (1) magnitude of benefits (2) criteria for eligibility and (3) contract mechanisms for delivering the benefits. WPUD will confine the majority of its comments to these three areas.

1. Magnitude of Benefits

WPUD agrees that the level of benefits should be capped and believes that the financial magnitude of such benefits, as proposed by BPA, is within the general range of what can be broadly supported by BPA’s other customers. Those parties commenting at the forum, with the exception of the DSI representatives, seem to support a level of service in the 500 to 700 aMW range. Assuming a \$10/MWh delta between the average rate offered the publics and the market, this places the maximum financial benefit at between \$40 to \$60 million a year. WPUD supports an aggregate DSI benefit within this financial range. Our support is contingent on BPA offering the lowest average power rate to the publics, which meets an acceptable target.

WPUD could support a higher level of benefits, if such increase is linked to BPA cost cuts that maintain or reduce the rates offered the publics. The bottom line is that a higher level of DSI support cannot result in additional rate impact on BPA’s public agency customers. Absent this link, WPUD can not support a larger benefit. We believe establishing such a link and creating the opportunity for the DSIs’ to achieve a higher level of benefit, aligns the parties’ interests.

Further, we believe that the most significant area of opportunity for reducing BPA’s costs, both forecast and actual, is the fish & wildlife program. WPUD, although aligned with the objectives of fish & wildlife mitigation and enhancement, believes that both the current and forecast levels of fish & wildlife programmatic expenditures are out of line with today’s realities.

2. Criteria for DSI Eligibility

WPUD does not believe that past financial or operating performance is necessarily indicative of what a company will do or not do going forward. Further, we do not believe BPA is in a position to judge,

based on a business plan, whether an individual DSI has a reasonable chance of future success operating in a global market economy. Therefore, we don't view these criteria as particularly useful eligibility qualifiers.

WPUD does support a review of each DSI's current financial strength and viability, as an eligibility factor. Creditworthiness in the context of power purchases is only a risk factor for BPA, if BPA contemplates purchasing power on behalf of the DSIs or backing DSI purchases. To the extent that DSIs are required to secure their own power supply, the market will decide their creditworthiness and BPA doesn't need this as an eligibility criteria.

WPUD supports BPA's proposal to only provide benefits to "operating" DSIs that are actually purchasing power to meet their requirements, whether by market purchases, longer term contracts, or owned generation.

WPUD agrees that job retention is a key regional objective in providing continuing benefits to the DSIs. We support requiring demonstrable evidence that the eligible DSIs are making ongoing efforts at job retention and/or expansion of their work forces, where economically feasible. Companies' plans to retain jobs, used as an eligibility requirement upfront, seems to be a pointless exercise, as plans change. However, periodical review of operating DSIs actual job retention efforts going forward, is essential.

3. Mechanism for Delivering Benefits

WPUD supports BPA's proposal to deliver benefits to the eligible DSIs through local public utilities, who desires to participate.

WPUD tentatively supports BPA's proposal to monetize a firm surplus sale to a local utility as the mechanism for delivering benefits. Should such an approach prove problematic, due to legal issues, then WPUD could support another mechanism that accomplishes the same end.

WPUD proposes that the delivery of financial benefits should be flexible, while maintaining the cap intended to minimize financial impact on other customers. Given the volatility in the power markets, the flexibility to move dollars in time seems appropriate. Capping the aggregate benefit for the rate period rather than imposing annual caps would fit within this concept of flexibility. Further, we believe that if a particular DSI goes out of business during the rate period, making the remaining benefit available to still operating eligible DSI(s) is workable. WPUD's support for flexibility is contingent on the DSIs not receiving a level of benefit that allows them to achieve a "better deal" than the "deal" available to public agency customers in general.

Port Townsend Paper Co

An approach to continuing service to Port Townsend Paper should be found separate from the aluminum smelter DSIs. The magnitude of load and operating characteristics of the paper mill are distinctly different from the others, such that it would be a dis-service to this historic BPA customer to lump it in with the smelter operations in arriving at a service solution.

In summary, WPUD supports BPA's efforts to achieve a workable solution to providing DSI benefits, post-2006. We believe that the key factor in assuring regional support for this effort is to focus on cost control, both in forecast budgets and ongoing expenses.

Thank you again for the opportunity to provide these additional comments.

Sincerely,

Tom Anderson
General Manager



DSI-072
MAR 11 2005

STATE OF WASHINGTON
DEPARTMENT OF COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT
ENERGY POLICY DIVISION

925 Plum Street SE, Bldg. 4 • PO Box 43173 • Olympia, Washington 98504-3173 • (360) 956-2096

March 11, 2005

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

OR

Submit comments via e-mail to comment@bpa.gov, or submit on-line at
<http://www.bpa.gov/comment>

Dear

We are pleased to have the opportunity to provide written comments on the issue of whether and how BPA should provide service to the Direct Service Industries (DSIs) in the next rate period, 2006-2011. We believe Paul Norman's letter of February 4, 2004, and the accompanying "BPA Straw DSI Service Proposal" does an excellent job of framing the issues. We have also consulted with participants in BPA's public forums on this issue and read many of the numerous documents BPA has produced.

Overall, we support continued service to DSIs. We believe that service should be subject to carefully delineated conditions, many of which BPA has proposed and we favor. We especially want to note our support for the following principles:

- Benefits must be capped.

It seems reasonable to us to cap the benefits, financial and power, to the DSIs in order to limit the risk to preference customers. This safeguard is clearly needed as we learned from our experience during the energy crisis when the contracts with the DSIs included no such safeguards. Without recommending a precise level for the cap, Bonneville's proposal is within a range we would find reasonable. We encourage you to carefully weigh the cost to other customers against the number of jobs that will be protected. The cost of maintaining these jobs should be reasonable and commensurate with efforts by the states to recruit and maintain other industrial sector employment.

- Benefits must not result in power costs to DSIs being lower than PF rate.

While it may be appropriate for BPA to provide a limited amount of power or equivalent benefits to DSIs at a rate comparable the rate they would receive if they were customers of consumer-owned utilities (and to provide service in a manner comparable to such service), there can be no justification to provide that power at a rate lower than the rate available for utilities to serve other industrial, commercial and residential customers. .

- The companies must be operating and employing workers in order to qualify for benefits.

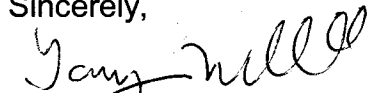
Since a primary reason to provide benefits to DSIs is to retain the highly skilled, well-paid jobs resulting from an operating aluminum industry in the region, BPA is right to require that the “companies must be purchasing and consuming an amount of power in support of production operations to receive any Federal Columbia River Power System (FCRPS) benefits.”

In regard to other issues, we think that the monetization of a power sale, as BPA has proposed, is the most practical way to implement the DSI benefits. However, we urge BPA to be cautious about using local utilities as a vehicle for the delivery of the benefits. It is important that any change in this direction not increase the transactions costs of serving this load and not interfere with the orderly allocation of the federal system for long term contracts. Furthermore, it is important that service to the DSIs remain responsive to changing conditions and not be locked in for more than the duration of this contract.

Although we have focused our comments on the aluminum industry, much as BPA has done in its policy development, we want to also stress our support for continued service to the Port Townsend Paper Corporation. BPA agreed to provide service to Port Townsend as part of the agreement to remove the Elwha River dams. We believe that that commitment should continue to be honored.

BPA has done an exemplary job in providing a transparent and participatory process to help it resolve questions about service to the direct service industries. We hope our comments are helpful in enabling BPA to come to a conclusion that satisfies the diverse interests of the region without sacrificing equally important budgetary commitments to such items as conservation, fish and wildlife obligations and capital improvements on the FCRPS itself.

Sincerely,



Tony Usibelli
Assistant Director

DSI - 073
MAR 11 2005**Kuehn, Ginny - DM**

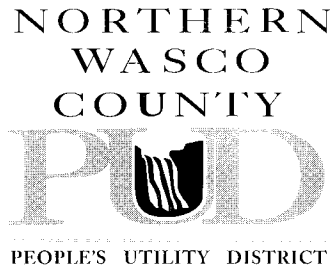
From: walser_steve@hotmail.com
Sent: Friday, March 11, 2005 12:26 PM
To: BPA Public Involvement
Subject: Comment on Additional Comments on BPA Service to DSI Customers

Comment on **Additional Comments on BPA Service to DSI Customers**
View open comment periods on <http://www.bpa.gov/comment>

Steve Walser
Citizen
walser_steve@hotmail.com
360-332-5758
756 A St. Unit B
Blaine Wa 98230

I am writing to voice my support for Alcoas plan for BPA service to DSI customers. I represent six generations of my family that have made the State of Washington our home. We have primarily worked in the farming, logging, and fishing industries to make our livings. Small farms are a thing of the past in this day. Our timber is all but gone and that which is still harvested is mostly sold as logs. The fishing industry is over, even for those of us that followed it north to Alaska when Washingtons abundant salmon supplies disappeared. What does this have to do with Direct Service Industries you might ask. As a young man I remember a conversation with my grandfather. At the time ground was being broken for the Intalco Aluminum Plant. What was then the Mobile Oil Refinery was already built and Plans for the Arco Oil Refinery (now BP Oil) were in the works. I was opposed to their construction but not so my grandfather. He explained to me that he had to spend six months or more in Alaska every year and accept handyman jobs the rest of the year to make ends meet and live in the State of Washington. He went on to tell me that he watched his children, and his friends children grow up and be forced to move away to make a living because of the lack of jobs in the county we made our home. He wisely told me that industry is something to be cherished and not condemned because it is a world of give and take. I am now looking back on over thirty years of employment with Alcoa Intalco Works. Employment that allowed me stay in the area I was raised. I now understand the wisdom of my grandfather as I watch my children try to secure viable employment and remain in the State and County they have always known as home. I watch my friends children move on to parts unknown to make a living and my grandfathers words echo in my ears. The Columbia River is a resource of the State of Washington and should not only be shared with all of its citizens but should be used for the good of all of its citizens. Trust me that Direct Service Industries are in the best interest of the people of the State of Washington. Sincerely,
Steve Walser

3/11/2005



DSI-074
MAR 11 2005

March 11, 2005

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

RE: Continued Service to the Direct Service Industries (DSIs)

Dear Paul:

Thank you for the opportunity to comment on this issue that is of significant value to our community. This opportunity would not be possible had Bonneville Power Administration not made the decision to provide some level of service to the DSIs.

We believe, as does BPA, that part of our collective mission and responsibility includes doing our respective part to help provide and/or help facilitate a healthy and vibrant regional economy. An aspect of such an economy includes the retention of existing jobs when possible and the creation of new jobs where possible. We applaud and support Bonneville's leadership to forge a plan for continued electric service to the direct service industries. We cannot guarantee success for any company; we can only help create the opportunity for success recognizing that their ingenuity and creativity along with other factors will determine which end user will be viable and which will not.

The major questions before us are: Who receives service? How much service will be given? And what will the price of service be?

Regarding the first question, who? We feel BPA should not be put in the position or in the role of qualifying who receives and who does not receive service in the 2007-2011 period. After giving this much thought, we conclude and agree with a previously stated observation that each DSI made decisions based on their unique circumstances during the 2000-2001 period. Because of past market vulgarities that have now created the current condition of a company, the present condition should not be the determining factor of a company's future ability to be viable. Bonneville should not be expected to make such judgments.

How much? We feel there is much that can be said to justify and explain providing the DSIs with full service at a PF equivalent rate; however, we recognize the political realities of the situation and thus amend/temper our position accordingly. We support the amount of energy BPA proposes, i.e. 500 aMW per year, plus 16 aMW for continued service to Port Townsend Paper Corporation. From what we have heard and read there are five smelters physically capable of operating in the future in our region. Simple math

would result in an allocation of 100 aMW per smelter; we conclude this is a fair approach. After meeting and talking with the president and treasurer for the local employees union at Northwest Aluminum, however, it is our understanding that the operation of one cell line at NWA would require 85 aMW. We support our workers and support a policy that would make possible the delivery of 85 aMW to NWA. (85 aMW and one operating cell line is approximately 50% of their historic electric usage and production capability, respectively.) A 100 aMW allocation to this employer less the 85 aMW would leave 15 aMW for other utilization. In a situation where the original smelter is operating we support any remaining amount, in this example 15 aMW, being made available to the company's other smelter facilities, if such additional subsidiary facilities exist. Conversely, if the original smelter ceases production or shuts down for non-emergency reasons or non-historic routine purposes, the 100 aMW allocation could not be assigned to another subsidiary company.

What price? We recommend that BPA offer financial support to the DSIs for an effective rate of not less than PF, with a cap on the impact to PF of \$1 or less/MW hr.

If you have any questions regarding our comments or wish to discuss our comments further, please call or contact us at your convenience. Again, thank you for this opportunity.

Sincerely,



Dwight Langer
General Manager

Cc: PUD Board of Directors
General Counsel
Dan Bloyer



Providing quality water, power and service at a competitive price that our customers value

March 11, 2005

DSI-075
MAR 14 2005

Via email, facsimile (503-230-3285), and U.S. Mail

Paul E. Norman
Senior Vice President
Bonneville Power Administration
PO Box 14428
Portland, OR 97293-4428

Re: PT-5; Comments on DSI service

Dear Paul:

In general we agree with most of the comments of the Public Power Council and Western Public Agencies Group on the Bonneville Power Administration's proposed service to DSIs starting in FY '07. We have the following additional comments:

1. Because it is in the discretion of the Administrator to provide DSI service at all, Snohomish County PUD believes that any commitment to provide service to DSIs should be not be final at this time and should be subject to the following four conditions:
 - Unless Bonneville's FY '07-10 wholesale power rate proceeding results in a PF rate no greater than \$27 a megawatt hour, there should be no DSI service for two reasons: First, the DSIs themselves have said they cannot operate profitably unless their BPA rate is no greater than \$27. Second, BPA should not make any firm commitments on expense items until it is assured that it will achieve the rate goal of \$27, which will not be known until the completion of the rate case.
 - BPA must assure preference customers that the 500MW of DSI load will not create a tiered rate structure for either of the next two rate periods.
 - BPA must have long-term allocated power contracts signed and in place and ratified by Congress. The Northwest Power and Conservation Council has recommended that BPA enter into long-term (20 year) allocated power contracts as soon as possible to avoid outside interference and to help secure the Federal Columbia River Power System. We believe this can be done by October 1, 2005, with the help of the DSIs.

- BPA must require a contractual commitment from all of the DSIs that they will not to seek more than the lesser of 500MW or \$40 million and agree to the other conditions in the BPA proposal *before* BPA issues a Record of Decision. The DSI contractual agreement would extend to administration or legislative efforts. Breach of the contract would result in forfeiture of all discretionary sales.
2. Although BPA's proposed \$40 million financial cap is appealing, it may not be workable or legal under existing law, including international trade rules. As a result, BPA should consider a one-time augmentation of the Federal Base System by buying back a portion of the Canadian Entitlement power and thereby avoid the expense of adding new transmission lines and facilities in Western Washington needed for South to North deliveries. Alternatively, BPA could enter into contracts for additional power generation at sites that would help minimize transmission expenses.
 3. All communications and negotiations between BPA and any of the DSIs should be subject to full disclosure, including all estimates of costs, risks and consequences of various proposals. If it appears that the limits in the BPA current proposal are not likely to be acceptable to the DSIs in the aggregate, BPA should notify the region and postpone any further action.

Very truly yours,



Steve Marshall
Assistant General Manager
Power & Transmission Services

This letter was sent via email @ www.bpa.gov/comment and comment@bpa.gov ; fax 503-230-3285; and U.S. mail to addressee