

Bonneville Power Administration Regional Dialogue Public Meetings

R004-0029
SEP 08 2004

Boise, Idaho
August 31, 2004

Boise Centre on the Grove – 6:00-8:00 p.m.
Approximate Attendance: 25

Opening Remarks

Paul Norman (BPA) welcomed people to the meeting and introduced himself and **Helen Goodwin (BPA)**. He also acknowledged **Jim Kempton, a member of the Northwest Power and Conservation Council**, who was in the audience. Norman added that notes of the meeting would be posted on BPA's web site.

We are here for the Regional Dialogue, a decisionmaking process that over the next couple of years will result in contracts for sale of the power from the federal system, he said. Our intent is to give our customers – public utilities, direct service industries (DSIs), and investor-owned utilities (IOUs) – clarity about “who and how much” each will get from the system, Norman explained. It's important to establish this for a couple of reasons, but particularly to clarify who is going to need to develop resources in the region, “so that they get developed,” he said. BPA also wants to keep rates stable, so we are seeking clarity about the loads we will serve so we can prepare to meet our responsibilities, Norman continued.

“The topics here are arcane,” he acknowledged, but there are billions of dollars at issue, so this dialogue is very important. We are not dealing with the long-term issues right now, but rather with the issues we need to settle to set rates from 2007 to 2011, Norman stated. We will address the long-term issues at a later time, he added.

This is one of six meetings we are having around the region for the Regional Dialogue, Norman said. He asked people to sign up to speak and to try to keep their remarks to about five minutes. The comments you make will be part of our official record for making a decision, and we will accept written comments until September 22, Norman stated.

Goodwin gave a brief summary of key elements in BPA's Regional Dialogue proposal. She pointed out that BPA proposes to defer consideration of tiered rates, limit the next rate period to two or three years to reduce BPA's risk, and define terms for providing service to new publics. “This is a big issue we will look at closely,” Goodwin said.

In addition, BPA proposes to stay with its existing mix of products and exclude product switching, she continued. We've also provided a list of options for supporting the DSIs,

and we'd ask you to look at the options closely and give us your comments on them," Goodwin said. We have not made a specific proposal for conservation, but said the Council's plan will guide us and that we'll organize a regional work group to help us develop our program, she said. We've proposed our role with development of renewables to be one of facilitation, and we want to continue to pursue the current cost-control initiatives with our customers and add to them, Goodwin wrapped up. We have put forward a number of different ideas, and we want to hear from you about whether we have the right mix, she stated.

Public Comments

Washington State Senator Dale Brandland said he had become much more aware of the history of the aluminum industry since he began representing a district that includes the Alcoa Intalco Works. This industry was encouraged to come to the Northwest when the dams were built, and having them here helped to offset power prices, he said. They have been an important source of revenue for BPA, and in the past, they bought interruptible power, which provided the region "a safety net" in the event of problems on the system, Brandland said.

But there has been a shift, he continued. There were once 11 smelters operating in the Northwest, employing 7,500 workers, Brandland said. Now there are only two operating and neither is at full capacity, he pointed out. In addition to jobs that were lost directly from shutdowns at the aluminum plants, "thousands and thousands" of other jobs that were indirectly dependent on the industry have been eliminated, Brandland said.

The industry is not looking for "a handout," he stated. The plants are good neighbors, always looking for ways to lessen their impact on the environment, Brandland indicated. He said management and labor are working "in lockstep" to help their industry stay alive. Investments in renewables and conservation are important, but it is also important to consider job loss – the aluminum workers here tonight "are the faces" of the industry, Brandland said. These people have mortgages to pay, families to raise, and they need to save for retirement, he pointed out.

Alcoa is seeking a short-term contract of about 500 megawatts (MW) to keep the Intalco plant operating, Brandland said. "This industry is not part of the problem, but it wants to be part of the solution," he concluded.

Jack Speer of Alcoa said his company is the largest aluminum manufacturer in the world. Alcoa has two plants in the Northwest, at Wenatchee and Ferndale, and the Ferndale plant is entirely dependent on BPA for its power supply, he continued. Aluminum smelting is energy intensive, and we need cheap power to operate, Speer said.

He described Alcoa's proposal, noting that BPA is planning to make a decision that won't be complete until 2008. Our contract with BPA expires in 2006, and our proposal is simple, Speer said: we are asking BPA to roll over our contract for 438 MW for

another two years. That would enable us to continue to provide jobs until we can develop a long-term plan for our power needs, he said, adding that copies of Alcoa's proposal are available on the registration table. We are not asking for a rate subsidy, Speer added. We are currently paying a rate that is 15 percent higher than what a preference utility pays, he said.

"We produce a valuable product in a responsible manner," Speer continued. Many of our products are used in the transportation industry, and aluminum reduces the weight of cars, trucks, and airplanes, which decreases the amount of fuel they have to use, he said. Speer urged people to look on Alcoa's web site and read its sustainability report and see what it is doing to meet sustainability goals.

With regard to the role of BPA, focus on efficiency and eliminate waste, he advised. Speer indicated that a more cost-effective BPA would be better for customers and fish. He pointed out that the hydro system has been derated over 1,000 MW due to operations for fish. I did the math, and the power that is lost is equivalent to 15 million barrels of imported oil, he said. "We can find better ways of saving fish," Speer stated. We are asking BPA to extend our contract so we can be part of the long-term solution, he summed up.

Edwina Allen of Boise said BPA's draft Regional Dialogue proposal has "commendable points," but is in need of improvement. It does not provide a way to restore salmon to harvestable levels, she said. The Northwest Power Act requires the region to operate the hydro system with a balance between power and fish, Allen said. Future plans must ensure power supplies that are adequate to prevent an energy crisis that could do damage to fish, she stated.

The spill for fish must continue until there is bypass around the Lower Snake River dams, Allen said. "A kilowatt saved is a kilowatt generated," she said in urging BPA to increase funding for low-income weatherization and renewable resource development. I applaud your emphasis on energy efficiency, but you need to be more specific on how BPA will help to meet the region's efficiency goals, Allen concluded.

Dile Monson, City of Burley, pointed out that BPA has addressed the Northwest Power Act's Section 6(e) with regard to the creation of new publics, annexed loads, and new large single loads. But what about the transfer of loads between existing publics? he asked. Monson said BPA should "be neutral" about such transfers, except when it comes to allocating power between two publics.

Daren Krag of IAMAW/Alcoa said that when he started at the Intalco plant, there were about 1,200 employees, but that number has dropped to around 500. He said he's been an Intalco employee for 17 years, much less time than many of the people who are employed there. We have heard the stories about programs for fish and low-income weatherization, but we need to consider how these things get funded, he said: they are funded "on the backs" of people like me. These programs are paid for by working people, Krag pointed out, adding that workers who once contributed to the services in

their communities are now in need of those services, collecting unemployment and tapping into food banks.

We need to make decisions about whether these jobs are important to keep, he continued. We are asking for only a fraction of the power that smelters used to get, Krag said. We want to be here in this discussion – it's time to make a spot for the DSIs, he urged. We are only asking to be treated fairly, Krag stated.

Tommi Reynolds, Wells Rural Electric Co-op, said her utility is a full requirements customer of BPA. She explained that Wells' contract with BPA "has an off-ramp" in 2006. Wells wants to extend its contract for another five-years and purchase power at the lowest PF rate, Reynolds said. This would put us on "equal footing" with other customers, she indicated. Reynolds said Wells fully supports the Northwest Requirements Utilities' position.

BPA is to be commended for continuing its cost-control forums, but utilities will need more assurance on cost control if they are to enter 20-year contracts, she continued. Reynolds urged BPA to assure that there are no cost shifts among customers as a result of its new policy. She indicated support for BPA's proposal to stick with its current mix of products and services since changes could result in a shift of costs. Rate certainty is important to us, Reynolds concluded.

Ken Baker of the Association of Idaho Cities encouraged BPA to continue its support for local conservation programs. BPA has a long history of supporting conservation in the region, and that has saved thousands of MW of energy, he said. Your support has had a positive impact, and we want to see you continue to work with us, Baker said.

Pat Flaherty of IAMAW/Alcoa said the aluminum workers are attending the Regional Dialogue meetings to talk to the communities involved and tell them "we are a good and viable industry." We are the most environmentally friendly smelter in North America, and we have a great safety record, he said. The rate for power to the DSIs has gone from \$22 per MW to \$38 per MW, and we are paying more for electricity than any smelter in the world, Flaherty said. We are not talking just about our jobs, but about jobs at all of the DSIs and about all of the living-wage jobs that support many different programs in the region, he summed up.

Scott Levy, Bluefish.org, said his web site tracks Idaho salmon and steelhead. He started out by responding to what he had heard from aluminum industry speakers, comments he called "very persuasive." Back in 1999 in the rate case, BPA was proposing to buy more power than the federal system could generate in order to provide power to the smelters, Levy said. The BPA Administrator said he felt he had "an ethical duty" to do so, he added. I said at the time that the idea was "ludicrous," and the aluminum industry should buy the power itself, Levy said. BPA said it had done a comprehensive risk analysis and proceeded with its plan, he continued. It's great that in your new proposal you admit your mistake and say you won't repeat it, Levy commented.

BPA contributed to its own problem in the market, he contended. Your risk analysis was inadequate, and your futures traders didn't understand the market, Levy said. BPA should look at how it contributed to the hike in the market, he said. BPA should also contribute any information it has to Senator Cantwell's investigation of market manipulation, he said. Levy said he believes BPA was under political pressure from the Administration to do what it did in providing power to the aluminum industry, and "we should find out where the decisions were made and hold people accountable."

Levy described his efforts to come up with a figure for what it costs annually to operate the Lower Snake River dams, and he expressed frustration in trying to get information from BPA. After attending a BPA rates workshop, Levy said he made his own calculation of what it costs and came up with a figure of \$135 million. Those dams produce 750 average MW (aMW), which at current prices grosses about \$208 million, he went on. I think we need to get these numbers out and talk about them – you need to continue to be more transparent with this information, Levy said. I'd like to see how much BPA paid for the buydown of the aluminum company loads, he said. A lot of the last rate increase was a result of those buydowns, Levy said.

When you look at what BPA nets in power sales from the Lower Snake River dams, it's about \$75 million, and the proposal to cut spill would have gained about \$75 million, he pointed out. Removing the Lower Snake River dams would net about the same amount as reducing spill, Levy said. We need to put out these types of "apples to apples" comparisons with the numbers, so we can discuss these things honestly, he said.

Levy encouraged BPA's role in facilitating wind power. I understand the big holdup with wind development is getting transmission to integrate the projects into the system, he said. Levy urged BPA to develop more transmission that encourages wind.

When you figure out what resources you have, you should not count on the Lower Snake River dams, he advised. Your risk analysis should consider the loss of those dams, he added. I feel for the aluminum workers, but I am bothered by the political pressure the industry exerts, Levy said. My opposition to the industry is due to the support it gives to retaining the Lower Snake River dams, he summed up.

Hugh Diehl of IAMAW/Alcoa described himself as a ratepayer, consumer, and industry worker. He urged BPA to control costs and do what it can so the aluminum industry can maintain living-wage jobs that give workers the opportunity to provide for their families. Treat us the same as you treat others, Diehl urged. Our company paid its bills – consider those in the industry who have paid their bills and been good citizens in their communities, he stated.

Vicki Hanley of IAMAW/Alcoa said the 3,000 MW that BPA oversold in its last round of contracts "had nothing to do with us." She expressed support for tiered rates, as "a step in the right direction." The aluminum companies just want a fair deal and are not asking for special favors, Hanley continued. When you have a plant that operates 24/7, your co-workers become like family, and "I've lost a lot of family," she stated. We have

seen 35-year employees who were planning to retire lose their jobs instead and go back to school to retrain, Hanley said. It is tough for us, she added. I respect your comments – your reasons are real and important to you, Hanley said. Ours just as real and important to us, and I'd ask that you give us that same consideration, she concluded.

Jeremy Maxand of the Snake River Alliance said his organization's primary purpose is to oversee the cleanup at the Idaho National Energy Laboratory (INEL) site, which sits above the Snake River at Idaho Falls. As part of its mission, the Alliance is starting to focus on sustainable energy development, he said. Maxand indicated that sustainable energy could displace the need for the nuclear power research at INEL, including the new initiative that just got under way. We see this new project as a threat to Idaho water, he added. We support sustainable energy and energy efficiency, and we would encourage BPA to invest in alternative energy, such as wind power, Maxand said. Invest and take a leadership role so we can displace the need for fossil, nuclear, and hydro generation, he urged. Let's make this a reality in the Northwest, Maxand concluded.

Wrap Up

Bonneville “chews these comments over a lot” before it makes a decision – your comments are an important part of our decisionmaking process, Norman said. He gave a summary of the issues and comments, which included the following points:

- The DSIs are a valuable industry, and the aluminum companies were encouraged to locate in the Northwest.
- Aluminum companies are good citizens in their local communities.
- BPA should be aware of the impact of aluminum company operations on local communities.
- Alcoa wants BPA to roll over its current contract for two years until 2008.
- BPA's decision to serve the DSIs in 2000 was very bad, and the outcome was foreseeable.
- The DSI buydown was the cause of the rate problem.
- Hydro projects must be operated for both power and fish; we need operations that support fish.
- The customer collaborative and Sounding Board on cost control are useful, and we should do more with cost control in the future.
- Avoid product changes that cause cost shifts.
- Support low-income weatherization and conservation and be more specific about what we are going to do in those areas
- Provide seed money for wind and transmission to integrate wind projects.
- Address the transfer of loads between PF customers.
- Customers with an off-ramp should get the opportunity to renew at the lowest PF rate.
- Be transparent with the costs and benefits of the Lower Snake River dams.
- Be forthcoming with information on the Administration and Enron.
- Don't plan on power from the Lower Snake River dams and recognize the risk of their removal.
- Focus on renewables.

The meeting adjourned at 7:45 p.m.

August 29, 2004

R004-0030
SEP 08 2004

Dear Sirs,

I applaud the BPA's efforts to require all Northwest customers — including the overindulged aluminum industry — to conserve power resources. Understandably, it will not be easy to hold their feet to the fire to achieve compliance.

First, there is a historical reliance on sweetheart power agreements — at substantial costs to other rate payers. The industry's current attempts to tilt the marketplace in their favor in Washington D.C. because they can't have a competitive edge given the energy crisis at this time further exemplifies this fact.

It just doesn't seem fair for these inefficient power guzzlers to cry foul when they are expected to pay close to full price, like the rest of the other industrial & residential ratepayers during this crisis. I can lower my power expenses by altering my consumption. And so should they! Whether that means plant closures/sales, efficiency upgrades, night time operations or generating their own power.

We must end this wasteful use of our limited resources and the goodwill of the consuming public.

In any decision regarding power rates to Alcoa, keep in mind that the state of Washington recently granted it a very generous tax break.

Respectfully yours,

V. Sidney Raines
15310 Sunwood BV #202
Seattle, WA 98188

RD04-0031
SEP 13 2004

Kuehn, Ginny - DM-7

From: kowens@crpud.org
Sent: Friday, September 10, 2004 3:23 PM
To: BPA Public Involvement
Subject: Comment on BPA's Regional Dialogue Policy Proposal for FY 2007-2011

Comment on BPA's Regional Dialogue Policy Proposal for FY 2007-2011
View open comment periods on <http://www.bpa.gov/corporate/kc/home/comment.cfm>

Kevin P. Owens
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This comment includes an attachment!

CRPUD RESPONSES TO KEY ISSUES IN THE BPA JULY 7TH PROPOSAL

1. **Tiered Rates** CRPUD agrees with BPA's proposal not to implement tiered rates in 2007. In addition, BPA does not project a major power supply deficit during 2007 - 2011; therefore tiered rates are not necessary.
2. **Five Year Contracts** For those utilities that have five year contracts, BPA should offer to extend the term of these contracts through 2011 at the lowest PF rate. In determining how much power to sell these utilities BPA should perform a net requirements determination consistent with sections 5(b) and 9(c) of the Northwest Power Act to ensure that these utilities have a right to this power. As BPA notes, performing a net requirements determination should reduce the need for BPA to acquire power to serve firm load obligations. The commitment to take power by these customers needs to be completed by June 30, 2005 in order to be incorporated in the 2007 rate proposal.
3. **Rate Period** CRPUD agrees with BPA's proposal to shorten the rate period from five years in order to reduce BPA's risk exposure, and the consequent effect on BPA's power rates. We believe that a three year rate period is preferable to a two year rate period. This will allow the power and transmission rate periods to coincide beginning in 2009 and will give sufficient time to complete new long term contract negotiations for service post 2011 during the initial rate period.
4. **New Public Power Loads** CRPUD agrees that in order to be served at the lowest PF rate during 2007 to 2011 these utilities would have to meet the standards for service and request and commit to receive firm power from BPA by June 30, 2005. Any power sales to new publics formed after this date should be at the TAC (Targeted Adjustment Clause) rate until the end of the next rate period.
5. **IOU Annexed Loads** To the extent a publicly owned utility annexes load from an IOU service territory the financial benefits that the IOU received for this load should travel to the publicly owned utility
6. **Slice Product Limits** BPA should not increase the amount of Slice sales until the end of the current power sales contracts. Allowing migration to or away from the Slice product could result in shifts of costs to other customers. In addition, we concur with BPA's approach to conduct an overall review of the Slice product to determine if the product has achieved its objectives without shifting costs to other customers. Sales under Slice should not be increased until such an analysis has been completed. However, BPA can re-classify a product and this does not constitute product switching. For example movement from partial to full requirements service.
7. **Non Federal Resources** CRPUD agrees that BPA should allow load following customers to add non-federal resources on a case by case basis. In order to

effectively achieve this flexibility for utilities, we need to resolve the issue of transfer of non-federal power over GTA's as soon as possible.

8. **DSI Service** While the Direct Service Industries have a history of BPA service, the contracts for service to these customers expires in 2006. BPA has no statutory obligation to serve the DSIs. To provide power to serve the DSIs would only add to BPA's projected supply/load deficit in FY 2007 - 2011. In addition the Northwest Power Act and previous legislation provides preference for publicly owned utilities in power supply. Providing financial benefits to the DSIs in lieu of power service has no basis in the law.
9. **New Large Single Loads** CRPUD agrees with BPA's proposal to continue its current NLSL policy. Any DSI load transferred to local utility service should be served at the NR rate.
10. **IOU Benefits** CRPUD agrees with the concept of only providing financial benefits to IOUs. It is important for BPA power supply planning purposes that the IOUs and public power both agree that the IOUs will not receive physical power from the FCRPS in the future, and not just the 2007 to 2011 period. We believe that the financial benefit calculation in the current amended IOU contracts, with the \$100 million benefit floor and \$300 million benefit cap, provides a reasonable level of rate and cost certainty for BPA and is a reasonable model to resolve this issue for the post 2011 period, assuming a positive experience during 2007 - 2011.
11. **Conservation** CRPUD is in accord with BPA's principle that "The bulk of the conservation to be achieved is best pursued and achieved at the local level." In addition we agree with the statement that "BPA funding for local administrative support to plan and implement conservation programs has been essential." BPA does note that the conservation and renewables discount (C&RD) is more expensive in terms of dollars per aMW achieved than Conservation Augmentation and NEEA programs. The C&RD is a very popular and important program with the CRPUD customers and achieves the two principles stated above. We expect the cost of this program to be reduced as more experience is gained. In addition the role to the Regional Technical Forum is essential in fine tuning the C&RD to achieve conservation goals at a lower cost.
12. **Renewables** BPA indicates that it intends to move away from large scale renewables acquisition and towards an "active and creative facilitation role with respect to renewable resource development." CRPUD agrees with this approach, provided the costs of this facilitation role are borne by all of BPA's customers. This approach towards renewables is consistent with the overall goal of limiting BPA's sales "of firm power to its Pacific Northwest Customers at its embedded cost rates to approximately the firm capability of the Federal system."

13. **Cost Control** Cost control is essential to any approach to developing long term contracts and a long term approach to ratemaking. CRPUD looks forward to continuing its participation in the existing forums that deal with cost control. While these approaches, such as the Sounding Board and Customer Collaborative, have proven successful in the short term, and should be aggressively continued, they may be insufficient as longer term measures/forums to provide customers confidence that BPA products are not burdened with excessive costs.
14. **Longer Term Issues** BPA is proposing two broad goals for the period after 2011: (1) BPA should limit its firm sales to Pacific Northwest customers at embedded cost rates at approximately the firm output of the existing Federal system, and (2) sales beyond the firm output of the Federal system would be provided at a higher tiered rate that would reflect the incremental cost of meeting that load. This would be achieved through new long term contracts.
15. **Net Requirements Determination** In order to accomplish the broad goals expressed above during the 2007-2011 period, and under current contract provisions, customers will need to know how much power they will receive from BPA at the embedded cost rate and how much power they will need to obtain from other sources. In determining how much power customers will be able to buy at embedded cost rates, it is essential that BPA perform a periodic net requirements determination for all of BPA's customers as is required by contract. BPA recognized this when it allowed 5-year contract holders to extend their contracts, subject to a net requirements determination.
16. **Non BPA Resources and Pooling** In order to fulfill their total power supply needs in an allocated world, BPA's customers, if they so choose, will need to be able to access other power supply sources. These other sources could include bi-lateral purchases or pooled purchases from BPA at a tier 2 rate, or a non BPA resource. In order to access other power providers, GTA served customers need economic passage over non BPA owned transmission lines for the delivery of non-federal power. In addition, pooling of power among BPA's customers must be allowed consistent with the Joint Operating Entity legislation of January, 2000. Currently the ability to pool purchases from BPA under that legislation is restricted to entities formed prior to January 1, 1999.
17. **Maintain Current Contracts** CRPUD's contract runs through 2011. We will most likely stay with this contract, even if a successor long term contract is signed prior to 2011. BPA's proposed schedule allows for this and is acceptable.



RD04-0032
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THE TULALIP TRIBES

Board of Directors:

Stanley G. Jones Sr., Scho Hallem - Chairman
Marie Zackuse - Vice Chairman
Mel Sheldon - Secretary
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The Tulalip Tribes are the successors
in interest to the Snohomish,
Snoqualmie and Skykomish tribes
and other tribes and band signatory
to the Treaty of Point Elliot.

Mr. Steven J. Wright
Administrator and Chief Executive Officer
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Sept 10, 2004

RE: Regional Dialogue: Section 5 Consultation

Dear Mr. Wright,

We appreciate Bonneville Power Administration's (BPA) efforts to effectively and efficiently manage the electrical power supply from the Northwest's Federal Power Production System. Your task to contractually manage a limited supply of electrical power where demand may soon exceed the federal supply is complex and difficult; this Regional Dialogue is appropriate.

Your programs for reliability enhancements and non-wire solutions to extend the supply have been extraordinary and very effective for the short term. The Tulalip Tribes applauds your continued direction to operate the federal system with significant attention to the environmental issues that concern many who live near and use the river system. We have reviewed periodically the operational system costs and strongly encourage your administration to continue conservative fiscal practices with cost structures and internal controls.

Concerning specific issues of the 'Regional Dialogue', your intent to strategically plan for the long term contractual firm supply from the federal system is on-point and timely. This effort should reduce price and supply risk to all parties. We applaud your strategic vision for infrastructure development, high reliability, reasonable rates, prompt treasury payments, conservation, and service rate preference.

For the broad view, Tulalip advocates that the Northwest's Federal power supply be reserved solely for the Northwest's load. Each region of the continental United States should strategically plan for and provide its own supply primarily because of the inefficiencies of long distance power transmission. It is inefficient and unwise to do otherwise.

For demand exceeding the Federal supply, we support the concept of Bonneville functioning as the Northwest's power broker. Further, Tulalip encourages BPA's participation in renewable energy development by participating in the construction of transmission capacity to support developing production systems and by financial assistance with new technologies.

We have concern about the rate structure. As a preamble, we are persuaded that in the long term, despite gallant efforts to conserve, demand will out strip the Federal supply here in the Northwest. Thus, if BPA develops a tiered rate structure, in the near term this dilemma of allocation will be discussed again in that

agencies' demands which have long term contracts will outpace your supply. Adopting a tiered rate structure with very long term contracts will likely prevent many Tribes from developing a new Utility and eventually exclude Tribes from participating in the economic development of their Reservations. A tiered rate structure is clearly a flawed short term strategy.

A blended rate is a long term strategy and is the only logical, fair strategy for all Northwest customers. We encourage a long term rate structure sharing the lowest-cost priority firm rate with its hydro efficiencies to all BPA customers, not just a select group, since all customers in the Northwest are public.

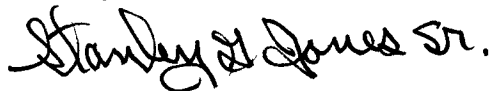
Nevertheless, if Bonneville selects a tiered rate structure, our government urges BPA to carve out and reserve a block specifically for Tribes. Tribes are the original public of the West with most Tribes meeting the original definition of remote small communities. Aside from any fiduciary responsibility, Indian Tribes fit the original vision and intent of 'Small Community' as chartered and pronounced in 1937.

Regarding the discussion of a lowest-cost priority firm (tiered) rate structure for new Utilities, Tulalip encourages BPA to include in this Public Preference Customers definition Tribal entities that have heretofore notified Bonneville of their intent and have the approved six 'Standards of Service' in place by the end of 2005. This thinking is supported by the United State's unique legal and Trust relationship with Tribes.

As an adjunct to this dialogue and concerning the 'Grid West', the Tulalip Tribe supports BPA's participation and investment in this proposal; however, Tulalip urges Bonneville as the Federal government's administration representative to strongly advocate a seat on the board for Northwest Indian Tribes. Without a 'board level voice' at the table, the needs and concerns of Tribes will be obviated forever. Tulalip asserts that Grid West's by-laws must be crafted to insure the board is independent in order to fully represent all Northwest groups and not be dominated by any one group of parties or Corporations.

Thank you for considering the Tulalip Tribes views on these important issues.

Sincerely,



Stanley G. Jones, Sr.
Chairman
Tulalip Tribes of Washington

CC by mail: Christy Brannon (BPA) cjbrannon@bpa.gov
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dep/power/bpa/L091004



RD 04-0033
SEP 13 2004

August 20, 2004

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RE: Regional Dialogue Policy Comments

The Affiliated Tribes of Northwest Indians-Economic Development Corporation (ATNI-EDC) appreciates this opportunity to submit our comments to Bonneville Power Administration's Regional Dialogue Policy Proposal.

Bonneville as Regional Steward

ATNI-EDC is concerned that Bonneville strengthen the ability to meet legal obligations for conservation, renewables, fish and wildlife, treasury payments, and service to new tribal utilities. Bonneville is not merely a power marketing and transmission organization, but in fact has many other important responsibilities as stewards of the regional power supply and the region's rivers. Bonneville should not subject itself to risks that threaten the ability to meet its other obligations. There must be flexibility in Bonneville's administration of these important resources.

Promote Tribal Utilities

We support the creation of more tribal utilities. For this reason we strongly object to the proposal that new public customers be required to meet the standards of service by June 30, 2005 or be subject to higher rates. Bonneville should not give existing customers a priority over preference customers that happen to seek Bonneville power at a later time. If rates are to be tiered, the tiering should not be based on the timing of the need for power but on a more fair criteria. Bonneville should not construct a system that makes tribes compete against each other or against new non-tribal utilities for a limited amount of available preference power. It can be argued that historical traditional customers have long held the benefit of federal power. New utilities meeting the standards for service should now be allowed that benefit if there is a choice between old and new customers. The statutory idea of preference does not include the notion that some preference customers are entitled to something greater than other preference customers merely because of the date of their formation. This argument applies even more strongly to tribes who have quite often paid the price in their cultures and economies due to the construction of the dams.

A reasonable notice period is appropriate so that new customers give Bonneville the chance to acquire reasonably priced resources to meet their load. History has shown that there is unlikely to be a stampede of new utilities, but when tribes or other entities are ready, they should not be denied the opportunity to become Bonneville customers. Bonneville's trust responsibility to tribes mandates a full opportunity to take advantage of power that many tribes greatly sacrificed to make a part of the region's legacy.

Conservation

Conservation is an integral part of long term system improvements. We waste entirely too much electricity, and technological improvements can give us the same comforts we are used to with greater efficiency. The conservation program should strive to provide its benefits at a below market price for power. A conservation program, especially one that offers lower-than-market-rate savings serves to sustain awareness and in the long term will reduce the demand in the region. As a condition of receiving future low-cost federal power, utilities should commit to implementing renewable energy, distributed generation, and conservation based on targets set by the Northwest Power Planning Council.

Renewables

The existing hydroelectric system could be made more productive if large scale wind farms were operated in conjunction with the hydro system. A serious study of these strong operational synergies should be made. Bonneville should diversify its portfolio. In 20 years, our wind generation should be equal to our hydro generation, with the two resources being operated to maximize environmental and economic benefits. A strong green tag program is essential to better investment in renewables.

Distributed wind is also a very strong, low-cost long term investment that will benefit Bonneville customers. Bonneville should continue to encourage wind energy development by other regional entities by offering firming services and making the transmission system and ancillary services friendly to wind power. Local use of geothermal heat pumps (which only require piping through the ground that circulates water at a constant temperature and can be installed anywhere a building is constructed in the ground) should be promoted.

Low Income Programs

We encourage Bonneville to find ways to improve their customers' programs for subsidized low income power bills. People should not go without heat in winter, light at night, or refrigerated foods. Poor people spend a much higher percentage of their incomes on energy, simply because it is something they can not do without and something over which they have limited control. There is often a choice between food and medicine or heat and light. That is a disgraceful choice and should be remedied.

Fish and Wildlife

Bonneville's decisions in this process will have a direct impact on the protection and restoration of our environment and endangered and non-endangered fish and wildlife. We will support those proposals that protect and restore these extremely important tribal trust assets, and oppose proposals that threaten fish and wildlife.

Trust Responsibility and Government to Government

Bonneville's staff should always be sufficient to make sure that it can meet its Trust Responsibilities and continue Government to Government consultations. Cost cutting and program cutting often threatens to limit the time government officials have for these duties. A high standard should continue to be maintained. Other Tribal groups or Tribes may have comments or proposals different from this document. We encourage Bonneville to seek their input through Government-to-Government discussions.

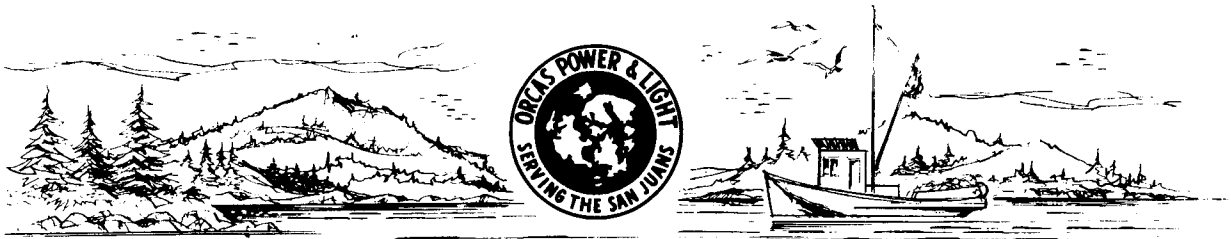
Thank you for the opportunity to submit these comments. Please call us at (425) 778-7999, if there are any questions.

Sincerely,



J. David Tovey, President

Cc: ATNI Executive Board and ATNI-EDC Board of Directors



ORCAS POWER & LIGHT COOPERATIVE

Main Office: 183 Mt. Baker Road, Eastsound, WA 98245-9413
(360) 376-3500 • Fax: (360) 376-3505 • www.opalco.com

September 9, 2004

R004-0034
SEP 15 2004

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

Re: Orcas Power and Light Cooperative's Response to
BPA's Regional Dialogue Policy Proposal Dated July 7, 2004

Dear Mr. Norman:

On August 19, 2004, Stuart Clarke, BPA's Senior Account Executive, met with the board of directors from Orcas Power and Light Cooperative (OPALCO) to discuss BPA's Regional Dialogue Policy Proposal. OPALCO finds itself mainly in agreement with the proposal; however, we would like to submit the following comments:

Section VI.C - Term of Next Rate Period

OPALCO agrees with shortening the next rate period in order to reduce BPA's risk exposure in projecting revenues. We are also hopeful that this action would reduce or eliminate the need for BPA to implement an SN CRAC during this next rate period. We would prefer a three year rate period because it would allow the power and transmission rate periods to coincide starting in 2009.

Sections VI.J and VI.K - Conservation & Renewable Resources

OPALCO believes that conservation measures can be best achieved at the local level, and we know from first hand experience that BPA's funding and administrative support for conservation programs has been essential in the success of these conservation measures for our members.

Paul Norman
September 9, 2004
Page 2

Sections VII.A - Limiting BPA's Long-Term Load Service Obligation at Embedded Cost Rates for PNW Firm Requirements Loads

OPALCO agrees that BPA should continue to explore a long-term policy to limit sales at the embedded cost rates for Pacific Northwest customers' firm requirement loads to approximately the firm output of the federal system, provided that it does not prevent customers from contracting with BPA to serve their load growth. As BPA moves forward with this new policy as stated above, OPALCO and other customers will need to know how much power we can receive from BPA at the embedded cost rates. OPALCO is of the understanding that there are customers holding contracts for power sales well over their net requirements; if this is true, it is important that BPA perform new net requirements determinations for all its customers. OPALCO feels that the amount of power each customer can purchase at the embedded cost rates should be based on these new net requirements determinations.

Thank you for your consideration of our cooperative's thoughts and comments on these issues. If you have any questions, please call me at 360-376-3512.

Sincerely,



Randy J. Cornelius
General Manager

RJC:kp

R004-0035
SEP 15 2004

Kuehn, Ginny - DM-7

From: jon.bezona@alcoa.com
Sent: Wednesday, September 15, 2004 1:01 PM
To: BPA Public Involvement
Subject: Comment on BPA's Regional Dialogue Policy Proposal for FY 2007-2011

Comment on BPA's Regional Dialogue Policy Proposal for FY 2007-2011
View open comment periods on <http://www.bpa.gov/corporate/kc/home/comment.cfm>

Jon Bezona
Alcoa Intalco Works
jon.bezona@alcoa.com
360-384-7441
5335 Belfern Dr.
Bellingham Wa. 92-8226

BPA - Please keep the power rates low enough for DSI to survive. I work in the alumina industry and this provides our community with great paying jobs and numerous spin-off jobs. Please allocate enough power for the DSI and at a rate that will keep jobs. We need 27 Mill power to keep my plant from shutting down. You can do it. Thanks Jon Bezona

9/15/2004

R004-0036
SEP 15 2004

Kuehn, Ginny - DM-7

From: Lummi5@aol.com
Sent: Wednesday, September 15, 2004 1:20 PM
To: BPA Public Involvement
Subject: Comment on BPA's Regional Dialogue Policy Proposal for FY 2007-2011

Comment on BPA's Regional Dialogue Policy Proposal for FY 2007-2011
View open comment periods on <http://www.bpa.gov/corporate/kc/home/comment.cfm>

Ron
Alcoa
Lummi5@aol.com
360-380-2731
4188 Haxton Way
Bellingham WA 98226

To Whom it may concern: I work for Alcoa Intalco Works and would like to keep my job. If you give Alcoa a good power contract it would be helpful to have them guarantee work for at least four hundred workers. Similiar to Wenatchee's contract with there pud.

Board of Commissioners

RYAN P. WALSH

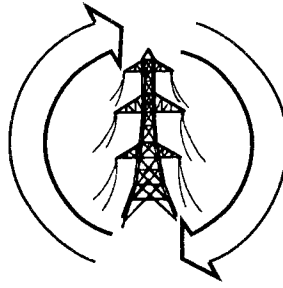
KATHRYN L. "KATHY" CIAIS

GREGG B. CAUDELL

District No.1

District No.2

District No.3



Progress with Power

P.O. Box 1039

R004-0037
SEP 16 2004

ROBERTA B. WELLER, MANAGER

PUBLIC UTILITY DISTRICT

PHONE (509) 775-3325 / FAX (509) 775-3326

NO. 1 OF FERRY COUNTY

REPUBLIC, WASHINGTON 99166

September 13, 2004

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

Re: Regional Dialogue

Dear Mr. Wright:

I attended the Regional Dialogue Public Meeting in Spokane on August 26, 2004 and viewed the well orchestrated pitch for the DSI's, and Alcoa in particular, to continue with low-cost BPA power.

Although PUD No. 1 of Ferry County, individually and together with the other Public Utilities, has continually told BPA that the DSI's need to find their own power out on the market after 2006, I feel with this new push from the DSI's, we need to tell you one more time. The DSI's have had plenty of time to find their own power source. If Bonneville is going to find the power for DSI's, then go out on the market and find it and charge them market price. Preference power must be kept for the Public's. We do have Preference Power and we know it. You know it, too.

PUD No. 1 of Ferry County also encourages BPA to continue with the conservation programs. As you know, Ferry PUD has a great conservation program established through Bonneville. We have seen the rewards through the lighting projects, the heat pumps, the insulation program and many more. Please continue!

Regards,

ROBERTA B. WELLER
Manager

RD04-003P
SEP 16 2004

Kuehn, Ginny

From: cbcasey622000@yahoo.com
Sent: Thursday, September 16, 2004 10:20 AM
To: BPA Public Involvement
Subject: Comment on BPA's Regional Dialogue Policy Proposal for FY 2007-2011

Comment on BPA's Regional Dialogue Policy Proposal for FY 2007-2011

View open comment periods on <http://www.bpa.gov/corporate/kc/home/comment.cfm>

Claire Casey
Landowner
cbcasey622000@yahoo.com
208-879-2931
HC61 Box 3058
Challis Idaho 83226

To the BPA. You have a duty to the people of the Northwest and those other customers that you serve. It is more than just producing electricity from dams. (Dams are very harmful to the wildlife and fish and dams have destroyed these) (YOU KNOW THAT BUT \$ INFLUENCES YOU AND YOU TAKE THE EASY WAY OUT) It is time now to take the bull by the horns and convert to renewable energy for all your customers. The technology is there, you know that also. YOU refuse to try to use renewable resources, especially the sun. I know that wind energy is now your renewable energy of the moment, but gentlemen, the sun is free and we have many, many days of sun here in the northwest. I voted for sun. I vote that you help the technology to improve the solar energy more. BECAUSE THE SUN IS FREE AND NO ONE GETS \$\$\$ FROM IT, IT IS NOT RESEARCHED. You know that Wind energy affects birds, bats and upland game animals when you install the towers. I admonish you to get your ASSES out of the dark ages. Reform your sources of power and move into this century. I have contacted my power company, Salmon River Electrical Co-op in Challis, Idaho. I have more than 2 acres just waiting for a huge solar array to be installed and then to produce massive amounts of power to be sold to this 18th century power company. No one will step up to the plate. The land is free. I challenge you to come and use for the clean environment you profess. Sincerely, Claire Casey

9/16/2004



September 7, 2004

RD 04-0039
SEP 16 2004

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

RE: Regional Dialogue Policy Comments

U M P Q U A

I N D I A N

U T I L I T Y

COOPERATIVE

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(541) 672-9405

FAX NUMBER

(541) 673-0432

The Umpqua Indian Utility Cooperative, (UIUC) appreciates this opportunity to submit our comments to Bonneville Power Administration's Regional Dialogue Policy Proposal.

New Publics

Our main issue with the proposal is that new public customers be required to meet the standards of service by June 30, 2005, or be subject to higher rates. This will limit the ability of tribes to form new tribal utilities. Bonneville should not give existing customers a priority over preference customers that happen to seek Bonneville power at a later time. If rates are to be tiered, the tiering should not be based on the timing of the need for power but on fair criteria. Bonneville should not construct a system that makes tribes compete against each other or against new non-tribal utilities for a limited amount of available preference power. It can be argued that historical traditional customers have long held the benefit of federal power and new utilities meeting the standards for service should now be allowed that benefit if there is a choice between old and new customers. The statutory idea of preference does not include the notion that some preference customers are entitled to something greater than other preference customers merely because of the date of their formation. This argument applies even more strongly to tribes who have quite often paid the price in their cultures and economies due to the construction of the dams.

A reasonable notice period for new publics is appropriate so that new customers give Bonneville the chance to acquire reasonably priced resources to meet their load. History has shown that there is not likely to be a stampede of new utilities, but when tribes or other entities are ready, they should not be denied the opportunity to become Bonneville customers. A notice of intent or other indication by a new public or Indian tribe that they will form a utility may provide a vehicle for this type of notice. Bonneville's trust responsibility to tribes mandates a full opportunity to take advantage of power that many tribes greatly sacrificed to make a part of the region's legacy.

Funding of Programs

UIUC also supports continued funding of conservation, education, outreach and low-income weatherization programs. We support the use of renewable energy in the Pacific Northwest either by BPA's acquisition of resources or by their facilitation of those resources through transmission policies and power products.

Tiered Rates

UIUC discourages the application of tiered rates to load growth in FY07. While we understand that this is not the proposal at this time, there may be some support for such a position among other customers.

Trust Responsibility and Government to Government

Bonneville's staff should always be sufficient to make sure that it can meet its Trust Responsibilities and continue Government to Government consultations. Cost cutting and program cutting often threatens to limit the time government officials have for these duties. A high standard should continue to be maintained.

Thank you for the opportunity to submit these comments. Please call me at 541- 677-5569 if there are any questions.

Sincerely,



Ron Doan
General Manager

Cc: Sue Shaffer, Chairman, Cow Creek Band of Umpqua Tribe of Indians
Margie Schaff, Consulting Attorney
Iris Crisman, Account Exec., BPA

R004-0040
SEP 16 2004

Kuehn,Ginny

From: dmann109@msn.com
Sent: Thursday, September 16, 2004 1:08 PM
To: BPA Public Involvement
Subject: Comment on BPA's Regional Dialogue Policy Proposal for FY 2007-2011

Comment on BPA's Regional Dialogue Policy Proposal for FY 2007-2011
View open comment periods on <http://www.bpa.gov/corporate/kc/home/comment.cfm>

Ron Mann

dmann109@msn.com

2923 Kenoyer Ct
Bellingham wa. 98229

As an aluminum worker, I am very concerned about the future of the aluminum industry in the northwestern. Also, the future of the USA. As I watch the news and see how the hurricanes in the south will effect the import of steel, it only makes me wonder where it will stop. We need to save the jobs and stop the continued reliance on foreign imports. Please keep this in mind when deciding on the future of allotted BPA power.

9/16/2004

R.D04-0041
SEP 17 2004

Kuehn, Ginny

From: AnonymousComment@somewhere.com
Sent: Thursday, September 16, 2004 7:30 PM
To: BPA Public Involvement
Subject: Comment on BPA's Regional Dialogue Policy Proposal for FY 2007-2011

Comment on BPA's Regional Dialogue Policy Proposal for FY 2007-2011
View open comment periods on <http://webit2/corporate/kc/home/comment.cfm>

WAYNE

ALCOA INTALCO WORKS

No E-mail Address Submitted

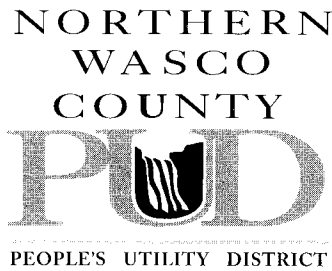
360-312-1313

829 WHISPER WAY

BELLINGHAM WA 98226

AS AN EMPLOYEE OF ALCOA IT IS VERY IMPORTANT FOR ALCOA TO HAVE
COMPETATIVE PRICED POWER FOR MY EMPLOYMENT. ALCOA PROVIDES GOOD FAMILY
WAGE JOBS AND CONTRIBUTES TO THE COMMUNITY AND THE TAX BASE. PLEASE
CONTINUE TO SUPPLY POWER TO ALCOA INTALCO WORKS. THANK YOU WAYNE
WIDMAN AND FAMILY

9/17/2004



R004-0042
SEP 17 2004

September 17, 2004

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

RE: Bonneville Power Administration's
Policy Proposal for Power Supply Role
for Fiscal Years 2007-2011

Dear Sir or Madame:

We would first like to thank the Bonneville Power Administration for putting this comprehensive proposal before the region for all its customers and interested/affected parties to review and to respond. The electric industry is changing, whether we want, encourage and/or accept that or not. As our industry changes it makes sense we should address changes in our preferred business relationship. This proposal allows and encourages our comments relative to the shaping of that relationship. In spite of all that has happened and all that will happen, there is one constant – we are here to serve all our customers and their best interests. It is important we not forget that the public will base part of their decision on how well we serve them by the manner in which we conduct our affairs. Openness by all to the needs of the whole is paramount to the needs of a single entity. Nothing less than the highest standards of ethics and professionalism will serve us.

I. The Origins of Regional Dialogue

This introductory section reviewed the history of the Regional Dialogue from April 2002 to its present state today. The proposal points out that the policy decisions Bonneville must make will provide greater clarity about the Federal power supply so that we can plan effectively for the future and make capital investments in long-term electricity infrastructure, if we so choose. It is important that those decisions ever increase and never diminish the benefits of the Federal power system within the region.

II. Scope of the Proposal

We concur that the focus needs to be on resolving those policy issues most likely to influence the next rate case and those that should be made before 2007. It only makes sense, and maximizes the investment of our human resources, that these decisions lend themselves in a positive fashion towards resolving the longer term (post 2011) challenges.

III. Council Recommendations on BPA's Future Role

"Allocation" of the system is recommended by the NW Power and Conservation Council; however, "allocation" is viewed as a long-term issue and is not delved into in this proposal. The BPA and Council concur that "allocation" is a longer term issue to be addressed later, but we feel it important that the discussions underway on this issue continue and we encourage further development of "allocation". The allocation amounts must be equitable and include periodic review of customers' net requirements by Bonneville. We strongly concur that BPA's long-term role emphasizes providing the lowest embedded cost-based rates to its preference customers.

IV. Link to FY 2007-2011 Strategic Direction

A. The Report to the Region

To avoid similar mistakes or shortcomings analyzing the events and our actions in response to those events leading to the 2000-01 "energy crisis" is prudent and imperative. All of us learned some hard lessons. BPA's costs and risks are driven heavily by load obligations and, therefore, must avoid having to acquire large blocks of power and energy in the market on short notice without adequate price (cost) protections.

B. Strategic Direction

You identified and we support the four core values – high reliability, low rates consistent with sound business principles, responsible environmental stewardship, and clear accountability to the region. Of the thirteen subjects guiding the strategic direction we make the following comments:

- 1. Regional Infrastructure Development:** We believe it is Bonneville's responsibility by law to ensure and provide adequate, efficient, and reliable transmission and power services at the lowest cost-based rates. Towards that end we support Bonneville's position to not join any RTO-type entity that does not provide clear and measurable benefits and reliability over costs.
- 2. Conservation and Renewables:** We support the current program and encourage more flexibility and local control in deciding program expenditures that qualify for credit. The C&RD program should continue to keep renewables as a part.
- 3. Benefits to Residential and Small-Farm Consumers of IOUs:** We support equitable financial benefits to these consumers as opposed to BPA providing power. The formula in effect as part

of the residential exchange settlement provides a reasonable basis we believe for the future. To the extent it is not already provided, BPA must develop protections or 'stop gaps' to prevent the financial benefits accruing to the IOUs from becoming disproportionate and unfair in times of market anomaly.

4. **Rates:** We cannot say it better than is already presented and thus re-affirm, "BPA's lowest firm power rates to public preference customers are [be]consistent with sound business principles, reflect the cost of the undiluted Federal Base System (FBS) and are below market for comparable products, are predictable, and have low volatility." It is our fear that BPA's preference rates will be pushed by special interests groups to include societal costs that are not part of Bonneville's mission and we support Bonneville's strong resistance to such efforts.
5. **Service to Direct Service Industrial Customers (DSIs):** There was a time not that long ago that a DSI was our community's largest and best paying employer. That is not the case today. We understand the emotions surrounding this topic. However, we feel that if you strip the emotion away, the core of this topic is jobs, more specifically – family wage jobs employing men and women. The respective states in Bonneville's footprint expend enormous funds for job creation and job retention. Let us not be blinded by emotion to the issue. We do not expect other communities to write (read "pay for") a prescription for success so workers in our community can go back to work; however, let us not be blind or deaf to common sense and write a warrant for their demise. DSIs should have the same opportunities as other industries and viewed when appropriate as economic development opportunities for our region. And if at the end of the day it is the economic conditions within that industry that closes them, or continues to keep them closed, then that is an element of capitalism at work and not the result of short-sighted public policy.
6. **Regional Stakeholder Satisfaction:** We understand the intent behind this bullet, however, we believe that which would satisfy some stakeholders is unreasonable and/or imprudent and beyond what is socially justifiable. We cannot agree loud enough that the opinions, points of view and experience of all citizens be heard and considered; in the final analysis however, only that which serves the benefit of the majority of the people should be implemented. Good science, good business and good public

policy should be the foundation upon which our decisions are made.

7. **Management:** One word should describe the management of the FBS and the relationship with and between all its users and interest groups – “partnership”. Easily stated but difficult to achieve and sustain.
8. **Cost Recovery:** On this issue we would point out that we are not referring to just any cost, but rather, only reasonable costs consistent with business objectives and prescribed responsibilities.
9. **Treasury Payment:** TP targets should be set at a reasonable level for the conditions at the time. We believe conditions that exist in one instance may prescribe a TP target different than what may be prescribed in another instance because of different circumstances. There may be instances where more risk should be assumed in setting targets and we must not be so rigid or blinded to ignore reality and customer accountability. The key is flexibility in setting TP probability limits commensurate with the conditions at the time.
10. **Ratepayer and Taxpayer Interests:** We appreciate the intent behind this principle but we also feel there are times when we are treated like a tenant instead of that of an owner. Transferring benefits and/or assets to those who paid little or nothing towards part of the system to the detriment of those citizens who did pay for the asset is morally wrong and should not happen. Cost subsidies and cost shifts should be identified and rates changed to phase out any such inequities.
11. **Best Practices:** We concur that cost performance and simplicity be emphasized in our best practices and emphasis should not exclude public safety, equity, and political sustainability.
12. **Risk:** We think successful risk management entails early identification and planned (previously reviewed and approved) actions in response to identified risks.
13. **Customer and Stakeholder Comments on the Agency Vision:** We agree and concur that a successful allocation of the system should precede tiered rates.

V. BPA Loads and Resources FY 2007-2011

We have already begun, and we should be vigilant into the FY2007-2011 period (while we have reasonable load-to-resource balance), to achieve (1) an equitable allocation process and formula, (2) a reasonable IOU small farm and residential consumers financial benefit formula, (3) a reasonable rate period length and (4) execute new long-term power sales agreements effective FY 2012.

VI. An integrated Strategy for FY 2007-2011

A. FY 2007-2011 Rights to Lowest-Cost Priority Firm (PF) Rate

We strongly concur that Bonneville's preference customers have first rights to lowest-cost firm rates for power and energy from the FBS.

B. Tiered Rates

We agree with BPA's stated position that new long-term contracts defining our rights to the lowest embedded cost rate be developed prior to putting tiered rates into effect, and specifically excluding tiered rates from consideration in its FY 2007 rate proposal.

C. Term of the Next Rate Period

Limiting the next rate period to a shorter time period, i.e. 2 or 3 years as opposed to the current 5 year rate period (with associated CRACs) is advisable. In comparing the pros and cons of a 2-year versus a 3-year rate period, the 3-year period seems to be the most desirable, however, we are not strongly biased to one over the other.

D. Service to Publics with Expiring Five-Year Purchase Commitments that Do Not Contain Lowest PF Rate Guarantee through FY 2011

We have no objection and approve of Bonneville offering the seven public customers who entered into five-year Subscription contracts an amendment extending their contract through September 30, 2011 with the lowest applicable cost-based power rates provided under the applicable PF rate schedule, assuming that the CRACs are applicable and in effect to them.

Likewise, we have no objection and approve of those public customers with PF off-ramp or on-ramp contracts to add or remove eligible load at the applicable PF rate schedule, assuming that the CRACs are applicable and in effect to them.

In addition, we understand that extending the United States Navy's five-year Subscription contract creates no precedent. We understand further that the Navy is the only Full Service customer (50 aMW) with a ten-year contract that does not have the lowest PF rate guarantee. If BPA adopts this proposal

without extending the lowest PF rate guarantee to the Navy, the Navy would be the only customer subject to PF rate who would not have the lowest rate guarantee. To create parity among all public customers and to facilitate the development of new long-term contracts and rates this should be done and we approve.

Lastly, with regards to this section we concur with BPA's proposal to recalculate the firm power load net requirements of each of the affected public customers for the FY 2007-2011 period for purposes of load and resource planning, rate setting, and contract offers.

E. Service to New Publics and Annexed Investor Owned Utility (IOU) Loads

We concur with both of Bonneville's proposals on how new public utilities that meet BPA's Standards for Service criteria prior to or after June 30, 2005. (Basically, public load(s) added after June 30, 2005 would be subject to TAC.) We also concur with proposal with regards to annexed loads from an IOU.

F. Product Availability

We concur with Bonneville's proposed treatment for (1) products for customers whose contracts expire in FY 2006 or are new public customers, (2) product switching or changing the allocation of products currently purchased by customers with contracts that expire in FY 2011 and (3) customer acquisition of additional non-federal resources to reduce new requirements by customers with contracts that expire in either FY 2006 or FY 2011.

G. Service to Direct Service Industries (DSIs)

We appreciate the efforts Bonneville has put forth with regards to the direct service industries, especially in light of the colorful past surrounding service to these companies. We support the men and women employed by these industries and, therefore, support Bonneville's preferred approach, the Financial Incentive to Operate. However, our support of the preferred approach is not intended to be to the exclusion of another, more desirable/prudent approach that may present itself later. See also our comments to **IV. B. 4.** above.

H. Service to New Large Single Loads (NLSL)

With regards to NLSL we would strongly recommend that BPA expand the applicability of the proposal, that reads as though it is currently limited to DSIs, be expanded to allow any new load/new customer to take a total of 9.9 aMW of service per 12-month period from the local utility at the PF rate if the

rest of its load is served by on-site or off-site renewable or co-generation. Current policy we feel allows such interpretation but we feel this provision should be clearer and more broadly available. There may be instances where cogeneration or renewable resources cannot attain the required permits because of zoning restriction or other prohibitions for the resources to be on-site to the customer/load. Our recommended refinement would recognize this reality and, at the same time, encourage and support the development of cogeneration and renewable resources.

I. Service to Residential and Small-Farm Consumers of Investor-Owned Utilities (IOUs)

We concur and support BPA's proposal to provide financial benefits rather than physical power to the residential and small-farm consumers of the region's IOUs. We further are of the opinion that the financial benefits formula instituted as part of the customer settlement is an excellent foundation for providing similar, equitable benefits longer term.

J. Conservation Resources

We support the Council's principal that conservation targets be reflective of the true cost-effective potential in the region and that the funding be consistent and without peaks and valleys. We support the current (.5 mill/kwh) C&RD and ConAug funding level for the remaining power contract period, 2007-2011. We would like to reinforce the proposed local control option. We can best design and offer what works best for our customers and feel the proposed credits on an agreed upon sliding scale for items makes good sense. Lastly, we support BPA's support of conservation, as well as other demand side management options, as part of the solution to transmission constraints. Conservation can be part of a Non-Wires Solution to reduce or defer the need for transmission construction.

K. Renewable Resources

We support BPA's facilitation role for the development and deployment of renewable generating resources. We do not have a rigid set of suggestions on how BPA would fulfill this facilitation role and would prefer that BPA retain a role that allows flexibility for itself. An effective facilitation role may encompass one or all of the tools previously identified, i.e. integration services, transmission system improvements, rate discount and a limited output acquisition role. Having said that, however, we feel it important that BPA's facilitation role not exceed the net cost of \$15 million per year and that all costs be shared equitably by inclusion in all customer rate classes and avoid cost shifting.

L. Controlling Costs and Consulting with BPA's Stakeholders

Involving conscientious and objective customer involvement in controlling future costs is one of the finest examples of having a partnership-type relationship by and between BPA and its customers. The more effective Bonneville is in sustaining the highest level of customer confidence the more confident its customer base will have in signing longer term contracts. The Sounding Board was very effective in meeting its target of \$100 M of savings to offset the SN CRAC in FY 2005. The Sounding Board received and reviewed progress reports on BPA spending. For customers to have confidence in having a real voice in controlling costs they must be afforded a determinative role in how much BPA plans on spending. The Sounding Board should be continued, but its scope needs to be expanded.

VII. Long-Term Issues

As has been stated previously, most of this proposal deals with FY 2007-2011 issues, however, decisions made during this process will be the foundation for longer term policies and decisions. One such future policy involves tier-rates. It is proposed that once the firm power capability of the existing FBS is exhausted that additional supply from BPA would be provided at a higher tiered rate. We support the concept of tiered rates under or with the following conditions/understanding: (1) that the existing system will have been fully allocated and (2) that cost of tier power beyond the FBS will be cost-based. In addition we concur and support the proposal that this long-term policy be implemented with new contracts (up to 20 years) commencing in FY 2012. As is stated in this proposal it is imperative that individual utilities know specifically how much power they will receive from BPA at the lowest embedded cost rate, and how much they will pay for increments beyond that amount.

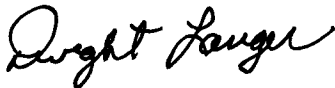
VIII. Risk Analysis

We can certainly appreciate Bonneville's finding that the most potentially significant risks are centered on load uncertainty and load placement. The primary areas of load uncertainty and potential risks were identified to be service to new publics and service to the DSIs. However, with the last several years as a backdrop (the 2000-01 energy crisis; FERC's SMD initiative; threat of mandatory RTOs; the blackout of August 14, 2003; and the abrogation of contracts by FERC and the courts) and, looking to the future we see other areas of equal, maybe of greater concern and risk. We think the greatest risks before us are (1) failure to identify FERC initiatives/proposals or other regulatory/legislative mandates that result in unjustified higher costs without compensatory benefits and loss of system reliability and (2) our failure to address and successfully mitigate/contain/control the failures identified in (1) above. We must be successful in this proposal initiated by BPA and we applaud your efforts. This proposal deals mostly with power supply. An area of equal value to the region is the federal transmission system. We have problems with the transmission system (growing congestion, lack of regional planning, and constraints to moving non-federal power in an allocated power supply world) that are risks to our customers future. History has proved to us that the lowest costs and the

highest standards of system reliability have been achieved by fully integrated utilities, by that we mean those utilities owning and controlling power generation, transmission and distribution facilities for the benefit of the general public and its customers. Through and with the Bonneville Power Administration, Northern Wasco PUD, along with our fellow public power utilities, are fully integrated [power system suppliers] utilities. As a final comment about risks, we would add that an important element of our collective success is our financial health and integrity. The financial health of BPA should be reflective of the financial health of its customers and/or vice versa.

In closing, the schedule BPA proposes is ambitious but achievable. We offer our support and have confidence in BPA, the region and ourselves in achieving our goal of preserving the benefits of FBS. Thank you again for this opportunity to comment and for your consideration of our position. If you have any questions or wish to discuss any of our comments, please call.

Sincerely,



Dwight Langer
General Manager

cc: PUD Board of Directors
Steve Wright, Administrator
Paul Norman, Vice President
Dan Bloyer, Account Executive
John Saven, NRU
Jerry Leone, PPC
OPUDA