THE LEAGUE OF WOMEN VOTERS®
OF OREGON

R004-0054
SEP 21 2004

September 21, 2004

Bonneville Power Administration
P.O. Box 14428
Portland 97293-4428
Fax: 503-230-3285

Re: Regional Dialogue

The League of Women Voters of Oregon is pleased to comment on the record on your Regional Dialogue proposal which provides us an opportunity to advocate for clean, efficient energy choices. We are a grassroots, nonpartisan political organization which encourages the informed and active participation of citizens in government in order to build better communities statewide. We have been active in this arena through study, advocacy, and testimony since 1973 when we first took a position on energy conservation and efficient use of electricity.

BPA is in the privileged position to set the bar high for its utility customers, as they set standards for and develop new resources to assure adequate electric supply. Oregon alone has a significant capacity to provide readily available wind power as well as other renewables such as solar, geothermal and biomass. However, our utilities' record of providing clean energy solutions is mixed at best; their strides in this area can be greatly augmented with your leadership and financial commitment to this direction.

Thus, to advocate for providing clean, efficient energy, we support in particular:

- BPA's steady leadership in clean resource development. You have the capacity and expertise to initiate and engage in getting projects realized, not just planned, thus, becoming an effective change agent in our regional energy decisions.

- A funding commitment to low-income weatherization in the near-term, significant enough to reduce actual energy demand. The funding levels should be specific and greater than present commitments. Weatherization is a conservation measure that gives benefits on multiple fronts year after year once accomplished.

We applaud your commitment to support the acquisition of all cost-effective energy conservation identified by the Northwest Power and Conservation Council as well as your pledge of $21 million a year to helping with new renewable energy projects. These commitments are fundamental to moving toward the lofty but very attainable goals the League supports: efficient energy production and distribution with minimal environmental damage, conservation of energy, and full exploitation of renewables.

We look forward to strong commitments from energy producers like BPA, as well as from citizens, to being part of these critical solutions.

Sincerely,

Margaret Noel

Margaret Noel
President

2659 Commercial St. SE, Suite 260 • Salem, OR 97302 • 503-581-5722 • FAX: 503-581-9403 • lwvor@lwvor.org • www.lwvor.org

RJ04-0055

Kuehn,Ginny SEP 21 2004

From: Jake Fey [FeyJ@energy.wsu.edu]

Sent: Tuesday, September 21, 2004 2:15 PM

To: BPA Public Involvement

Subject: Written Comments from Jacob C. Fey/BPA's Policy Proposal for Power Supply Role for FY 2007-2011

Regional Dialogue on Bonneville Power Administration's Policy Proposal for Power Supply Role for FY 2007-2011

Written comments from Jacob C. Fey
Director
Washington State University Extension Energy Program

As follow up to my recent testimony at one of the public meetings held in Seattle, August 17, 2004 regarding the *Regional Dialogue on Bonneville Power Administration's Policy Proposal for Power Supply Role for FY 2007-2011*, I would like to provide some brief written comments relevant to section *VI – An Integrated Strategy for FY 2007-2011, letter "J" on page 18 of 29.*

First of all, regarding the discussion about relying heavily on local resource acquisition for conservation initiatives, I want to make the point that the local impact of regional and national initiatives should not be deemphasized or overlooked. There are projects that have a high level of return locally that are regional/national, such as regionally and nationally targeted clearinghouses, for example. In this case, there can be as much as a 20:1 ratio of economic value – counting energy savings alone – when compared to the cost to operate a clearinghouse. And, secondary environmental, regulatory, health and process improvement benefits can also be identified beyond the energy savings.

Secondly, I agree that financial support for education, outreach and low income weatherization initiatives complement a complete and effective conservation portfolio. However, I take exception with the statement that these types of efforts often yield no measurable savings -- this is a mischaracterization of these programs. There are many strong efforts that yield real and measurable energy savings. Again, as one example, clearinghouse services fall under the category of both education and outreach and can demonstrate results.

In the last 12 months, the Washington State University (WSU) Extension Energy Program recorded approximately 60 high-value impacts nationwide, looking at just industrial clearinghouse services. High-value is characterized in the range of $100,000 to $500,000 of annual energy savings. Below is a snapshot of some significant and measurable examples around the U.S.

- A metal-casting plant in New York improved its compressed-air system, and now saves $200,000 annually with an investment of less than $40,000.
- A specialty chemicals plant in Delaware implemented changes to its steam system, saving $400,000 per year in energy costs with a $50,000 O&M and training program. There are also 17 other manufacturing plants – including one in the Pacific Northwest – in that company that expect to learn from and implement similar measures.
- A chemical plant in South Carolina instituted a steam trap maintenance program with estimated savings at $150,000 per year in coal-fired steam, for an investment of approximately $15,000

per year. It also made a one-time investment of about $30,000 in improving its condensate recovery, increasing recovery from 65 to 80 percent, for an annual savings of about $300,000, giving a simple payback of just over one month.

- A large pharmaceutical plant in Indiana increased its condensate return on its steam system and instituted a compressed air leak testing program. Annual savings are approximately $350,000, and the plant's maintenance manager is now working with his headquarters to implement a corporate-wide approach.

For more information on education and outreach efforts of the clearinghouses that the WSU Energy Program manages and operates, which can demonstrate local, regional and national impact, feel free to contact me, or Dr. Lee Link, at the WSU Energy Program at 360-956-2000.

Thank you for the opportunity to provide testimony and follow-up written comments on the *Regional Dialogue on Bonneville Power Administration's Policy Proposal for Power Supply Role for FY 2007-2011.*

R004-0056
SEP 21 2004

Kuehn,Ginny

From: AnonymousComment@somewhere.com
Sent: Tuesday, September 21, 2004 2:26 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

Karen Arango
Beacon machine, Inc.
No E-mail Address Submitted

420 Olympia Ave. NE
Renton WA 98056
I would urge the BPA to do everything in it's power to make the Northwest power rates attractive to all users who generate jobs and revenue. Especially the aluminum plants on which my business depends. I am a very small employeer who has seen it's customer base shrink due to the loss of large companies such as Kaiser and Alcoa. The loss of revenue for my business from these sources has been dramatic. If we lose any more large companies such as these, I fear I will not be able to stay in business. These are losses I cannot recoupe since most of the major manufacturing base has left the Northwest. Please do your part to help me stay in busines and continue being a viable part of the Northwest economy.

R004-0057
SEP 22 2004

The PUD

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

September 20, 2004

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

Dear Paul:

RE: Regional Dialogue comments

Central Lincoln is offering the following comments into the region's discussion of the post-2006 power supply role of Bonneville Power Administration. On behalf of all the Board members and the customers we represent we appreciate the opportunity to have input.

1. **Tiered Rates.** We concur with Bonneville that tiered rates should not be implemented in the next rate period when there is no projected power supply deficit for Bonneville's core (preference) customers.

2. **IOU Benefits.** Central Lincoln supports providing only financial benefits to IOUs. We hope to see agreement established between preference and IOU utilities on this matter, including agreement that IOUs would not receive physical power from the federal system in future including in the time after 2011. An agreement should be based upon the amendment currently in the IOU Subscription contracts whereby there is a floor and ceiling of $100 MM and $300 MM, respectively.

3. **DSI Service.** As Bonneville has stated in several of its documents over the past several years, it has no more obligation to sell power or provide any benefits to direct service industries. While employment and jobs are often brought forward as a reason to allocate power for aluminum firms that formerly were going concerns in the Pacific Northwest , these are no longer going concerns on the whole and employees are not receiving the lion's share of BPA benefits. Rather it is the shareholders. Allowing even the possibility of resale of federal power by these companies is wholly inappropriate. We need to work on informing our congressional delegation about this issue in order that they not be further mislead.

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4. **Cost Control.** We agree with Bonneville and with NRU that customer participation in the existing forums evaluating the Agency's programs and costs is of great importance to long term contractual stability. The two preceding items, IOU Benefits and DSI Service, are potentially the two largest items within the Cost Control category; certainly the two put together have enough weight to destabilize the Agency's revenue requirements if not dealt with in a decisive manner. This is not to give less importance to Bonneville's capitol program or its expenses; it is simply recognition of all categories of cost to preference power.

5. **Slice Product.** We agree with Bonneville that Slice sales should not be increased in the next rate period. We also support the Agency's intent to fully review the Slice Product to make a determination on its positive efficacy to all Preference customers.

6. **New Large Single Loads.** We support the proposal by BPA to continue with the existing NLSL policy without exceptions. To do otherwise would put the desired tiered rates policy in jeopardy.

7. **Five Year Contracts.** We support the BPA proposal to extend the offer to sell at lowest possible cost to existing preference customers holding full or partial five year contracts.

8. **Rate Period.** Bonneville's proposal to have a two or three year rate period, rather than five years, is a wise idea that promotes greater stability for customers as it reduces the need for CRAC-type provisions. We do not yet have a firm position on the need for the PBL and TBL rate cases to coincide; some Preference customers believe that would be beneficial.

9. **Renewables.** Central Lincoln agrees with the position taken by Bonneville, and largely concurred with by NRU, to take a somewhat more facilitative role in renewables development, and less of an acquisition role.

10. **Conservation.** In the same vein, we also agree with the Agency's position that conservation is best done on a local basis. We are aware that we will need to continue working together on the C&RD concept as well as the ConAug efforts.

11. **Longer Term Issues.** We look forward to working with Bonneville and participating with other Preference Customers in crafting the long term wholesale power future. We would like to see the limitation of firm long term sales to the output capability of the federal system, and recognize the fact that sales beyond that will be at a higher price. Determination of net requirements of the contracting Preference customers will be of great significance to that long term relationship. Beyond that we would expect to participate in determining what will become marginal costs in creating a first-time Tier II rate, and also how long-run

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incremental costs are dealt with (where Bonneville is asked to be the buyer by some utilities) in order that such costs indeed remain separate. This will become part of the Cost Control discussion at some point or at least the Long Term Rate Methodology that Bonneville is proposing to establish.

We commend the effort made by Bonneville in its Regional Dialogue comments to the region and look forward to working with the Agency and with other utilities on establishing a more stable power future in the Northwest. Thank you again for your thoughtful comments and the opportunity for us to respond and to make our own comments. We expect to continue to provide input to these issues and others over the next months and years toward the objective of holding a new long term contract that will be beneficial to our retail customers.

Sincerely,

Wm. A. Fl

Bill Fleenor, Vice-President
Board of Directors

RO04-0058
SEP 22 2004

Kuehn,Ginny

From: ptarmigin@msn.com
Sent: Tuesday, September 21, 2004 8:21 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

Tom Brady

ptarmigin@msn.com
509-328-1495
5714 W Houston
Spokane WA 99208
I attended the August 26 meeeting and made comments yesterday, but did not receive an e-mail confirmation. My biggest concern is BPA's role in salmon and fish protection. It disturbs greatly, that BPA is only concerned about fish and salmon habitat when ordered by a federal judge. Salmon, steelhead, and trout, mean money to many small communities in the Columbia/Snake watersheds. Brewster, Washington was positivley impacted by money spent for recreation on fishing, some estimates as high as 3 million dollars. Power to large customers such as Alcoa must be tempered with realism. It was insinuated at the meeting that BPA was part of the demise of the NW aluminum industry. I don't support that notion. BPA should provide power at the most reasonable rate feasible, but also it must be recognized that BPA can NOT furnish power to Alcoa at a rate than counteracts all other economic factors of the aluminum industry. Secondly, BPA has to ensure that whatever large customers; BPA furnishes power to, cannot shut down and sell power at a profit like Kaiser did. This practice of any contract must be stopped. Finally, BPA needs to form an in-house engineering group to assit large customers in reducing energy consumption which would be a benefit to the entire NW region.

MONTANA PUBLIC POWER AUTHORITY
P.O. Box 1704
Helena, MT 59624-1704
Telephone: (406) 442-8768 Facsimile: (406) 442-9231

RO04-0059
SEP 22 2004

September 21, 2004

VIA OVERNIGHT COURIER AND E-MAIL: comment@BPA.gov

Bonneville Power Administration
905 NE 11th Avenue
Portland, OR 97232

Re: Comments on Policy Proposal for Power Supply Role for Fiscal Years 2007-2011

Dear Sir or Madam:

Enclosed are comments by the Montana Public Power Authority addressing Bonneville Power Administration's Policy Proposal regarding its Power Supply Role for Fiscal Years 2007-2011 (the "Policy Proposal").

Thank you for the opportunity to participate in the Regional Dialogue on the Policy Proposal held in Helena, Montana, on September 3, 2004. We look forward to further dialogue with the Bonneville Power Administration as we work to meet the requirements to become a preference customer.

We appreciate your consideration of the enclosed comments and would be pleased to make ourselves available to discuss the comments or any other aspect of the Policy Proposal with representatives of the Bonneville Power Administration.

If you have any questions or would like to receive other materials or information, please contact me at (406) 442-8768 or (406) 258-4601.

Very truly yours,

MONTANA PUBLIC POWER AUTHORITY

Mike Kadas

Mike Kadas, Chair

MONTANA PUBLIC POWER AUTHORITY

COMMENTS

Bonneville Power Administration
Policy Proposal For
Power Supply Role For Fiscal Years 2007-2011

I. Introduction

The following are comments prepared by the Montana Public Power Authority (the "Authority") in conjunction with Montana Public Power, Incorporated, a Montana nonprofit corporation (the "Nonprofit Corporation"). The comments are being prepared by the Authority and the Nonprofit Corporation in accordance with their purposes. We would welcome the opportunity to discuss these comments with representatives of the Bonneville Power Administration ("BPA") and to address any questions that the comments may raise.

The Authority was created by the City of Missoula, Montana; the City of Great Falls, Montana; the City of Bozeman, Montana; the City of Helena, Montana and the consolidated city/county government of Butte-Silver Bow, Montana, pursuant to Title 7, Chapter 11, Part 1, Montana Code Annotated. Such public entities entered into an Interlocal Agreement for the creation, establishment and governance of the Authority. The Authority's purpose is to acquire and operate transmission and distribution assets of the presently bankrupt NorthWestern Energy Division of NorthWestern Corporation (the "T&D Assets").

The Authority created the Nonprofit Corporation to carry out its purposes. The Nonprofit Corporation operates pursuant to an agency agreement with the Authority. The sole reason for the formation and use of the Nonprofit Corporation by the Authority is to address issues of Montana state law.

II. Background

BPA has been engaged in a Regional Dialogue regarding future BPA power supply issues when BPA's current power rates expire in the Fiscal Year 2006. We understand that nearly all of BPA's subscription power sales contracts continue through Fiscal Year 2011. Accordingly, the

Policy Proposal is divided into two parts: (1) near term (2007–2011) and (2) long term (post 2011). A portion of such Regional Dialogue concerns the service to new public bodies.

III. Comments

These comments address proposed policy issues concerning service to new public bodies.

A. New Public Bodies

Section 5(b) of the Northwest Power Act defines "public body" as "States, public power districts, counties and municipalities, including agencies or subdivisions of any thereof." At the September 3, 2004, Helena Regional Dialogue, Montana Public Service Commission Vice-Chair, Tom Schneider, asked BPA representatives whether a public body would qualify as a preference customer even if a portion of its service territory lies outside the service area of BPA. At that time the BPA representatives answered in the affirmative. The Authority and the Nonprofit Corporation now request that BPA confirm, in writing, that a public body would qualify as a preference customer even if a portion of its service territory lies outside the service area of BPA.

B. Request Service by June 30, 2005

The Authority, through the Nonprofit Corporation, currently plans to be in a position to offer to purchase the T&D Assets from NorthWestern by October or November of 2004 after Northwestern emerges from bankruptcy proceedings presently ongoing in Delaware. It is anticipated that the Authority, or a successor municipal corporation, would meet BPA's Standards for Service and request firm power service from BPA pursuant to the Pacific Northwest Electric Power Planning and Conservation Act and the Bonneville Project Act of 1937.

Section VI. E. of the Policy Proposal states that for purposes of the Fiscal Year 2007-2011 period, BPA proposes that in order to receive power at the lowest PF rate, new public customers would need to meet BPA's Standards for Service criteria and request firm power service under Section 5(b) of the Northwest Power Act prior to June 30, 2005. The Policy Proposal further states that if these criteria are met, the customer would be eligible for future rate treatment comparable to other BPA public utility customers. The Authority considers this June 30, 2005 deadline to be unnecessarily restrictive.

The June 30, 2005 deadline is not a sufficient time period for new public bodies and conflicts with 16 U.S.C. § 832c (d), which states that it is the policy of Congress "*to give the people of the states within economic transmission distance of the Bonneville project reasonable opportunity and time to hold election or elections or take any action necessary to create such public bodies and cooperatives as the laws of such States authorize and permit, and to afford such public bodies or cooperatives reasonable time and opportunity to take any action necessary to authorize the issuance of bonds or to arrange other financing necessary to construct or acquire necessary and desirable electric distribution facilities, and in all other respects legally to become qualified purchasers and distributors of electric energy available under this chapter.*"

Extending this deadline to December 31, 2005, allowing an exception pursuant to 16 U.S.C. § 832c (d) for new public bodies to complete final financing to acquire transmission and distribution facilities, would still allow BPA ample time to calculate net requirement calculations/load obligations into the Fiscal Year 2007 initial rates proposal. If it is determined that the June 30, 2005 deadline cannot be extended, the Authority believes that the requirement that all of BPA's Standards for Service be met by that date be modified by allowing (1) an exception for the completion of final financing to acquire transmission and distribution facilities; and (2) the execution of contingent contracts with new public bodies containing the lowest PF rate, to become effective if such public bodies meet BPA's Standards for Service criteria prior to December 31, 2005.

RD04-0060
SEP 22 2004

Bonneville Power Administration
Regional Dialogue Public Meeting

Helena, Montana
Sept. 3, 2004

Public Service Commission – 10 a.m. to noon

Opening Remarks

Bob Rowe, the chair of the Montana Public Service Commission called the meeting to order. Attendees introduced themselves. They included four of the five PSC commissioners and representatives of the governor, the Consumer Counsel's office, the Department of Environmental Quality, the Northwest Power and Conservation Council, Sen. Burns, several representatives of Montana cities, and NorthWestern Energy as well as BPA.

Bob Rowe turned the meeting over to Helen Goodwin, BPA's Regional Dialogue project manager.

The informal meeting followed the topics in the PowerPoint presentation material, with the exception of holding the discussion of service to new public utilities until last. Issues were raised and discussed informally, with all parties able to ask questions at any time.

Tiered Rates

Goodwin explained that the Northwest Power and Conservation Council had asked BPA to consider implementing tiered rates as early as 2007. BPA has contracts that run through FY 2011 and is in load/resource balance so the agency proposes waiting until the discussion of long-term contract and rate issues before addressing tiered rates.

A member of the audience asked if tiered rates is a way of establishing different rates for different classes of customers.

Tim Johnson, BPA attorney, replied that the agency has not gotten to the rate design issue yet.

Term of the Next Rate Period

Goodwin explained that BPA's preference is to have a shorter rater period than the current five years. Thought is being given to a two-year and to a three-year rate period. Some parties think there may be an advantage for BPA's power rate case to coincide with the transmission rate case.

Alex Smith, BPA vice president for Requirements Marketing, explained that a shorter rate period allows BPA to establish simpler ways than the current Cost Recovery Adjustment Clauses to deal with risk.

Service to Publics with Expiring 5-year Purchase Commitments That Do Not Contain Lowest PF Guarantee Through 2011

Goodwin explained that most BPA customers have 10-year Subscription contracts. Some took five-year contracts. Some have PF contracts with options to add or reduce load (PF on ramps and PF off ramps). The customers that hold five-year contracts need to make a decision if they want to put load on BPA or get resources elsewhere to meet their load. Most intend to put their load on BPA. BPA proposes to offer new contracts, extend contracts, and amend contracts if the affected customers tell the agency in writing what they want to do before June 30, 2005. BPA prefers not to offer new products. If a customer doesn't respond by June 30, 2005, or wants a new product, that customer runs the risk of being subject to a Targeted Adjustment Clause in the future.

Johnson explained that BPA is looking for load certainty and that timing is important if customers are to get the melded rate. The TAC is in contracts now, and BPA may propose a TAC for more load.

Goodwin said that about 10 customers are in the five-year class. In response to a question, she said that one is in Montana – Flathead Electric.

Product Availability

Goodwin noted that the agency has several products available to serve differing needs and kinds of customers. In the Regional Dialogue, the agency is proposing not opening a window for 10-year contract holders to change to new products. The agency prefers to focus on what it is going to be doing for the next 20 years. Many publics want new 20-year contracts as soon as possible.

Service to DSIs

Goodwin noted that this is a big issue. The DSIs only have five-year contracts so BPA has to make an explicit decision on whether to serve the DSIs and at what rate. The Regional Dialogue proposal contains no specific recommendation but does propose four options and explains that BPA's preferred way to serve DSIs is to offer limited financial support. The agency is asking those with interest to say what the best business relationship with the DSIs is.

An audience member asked if it is an option to allow the DSI contracts to terminate. Goodwin said it is not an option we have proposed but we could consider it.

Another person commented that much of the DSI load is gone and asked if BPA is focused on current, operating loads. Goodwin said yes. The proposal is to offer contracts to "good business partners," which are DSIs that have paid their bills and performed under the existing contract.

In response to a question, Goodwin said that two DSIs are currently operating – Columbia Falls and Alcoa/Intalco.

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

Goodwin observed that BPA recently amended contracts with the IOUs to provide financial benefits from FY 2007-2011. The Regional Dialogue proposal says that there is risk that the courts could vacate this agreement. If a court does, the agency will fall back to original contracts, which allow BPA to provide power or financial benefits from FY 2007-2011.

Conservation Resources

Goodwin said the agency has no specific proposal on conservation. She acknowledged that the region is interested in energy efficiency, and the agency wants to work with utilities and public interests groups at the local level. BPA intends to follow the Northwest Power and Conservation Council plan. BPA has established some principles to guide the agency and will talk with groups about support.

Renewable Resources

Goodwin explained that the agency proposal is for it to work in a facilitation role and not to acquire resources. The proposal contains options on what the agency's role might be. Those options include continuing to offer integration products that are quite popular, making transmission improvements to help developers get to market, continuing the renewables portion of the Conservation and Renewables Discount program and temporarily acquiring a resource if needed.

One person commented that the anchor tenant role is valuable and interesting while another asked what the conservation and renewables budget is.

Goodwin explained that BPA is currently looking at policies instead of budgets and that the Power Function Review that will begin early next year will look at budgets prior to the rate case.

Controlling Costs and Consulting with BPA's Stakeholders

Goodwin said that the proposal emphasizes cost control and transparency and continuing initiatives that have been successful, such as the Customer Collaborative and the Power Net Revenue Improvement Sounding Board that helped the agency find over $100 million in cost reductions and revenue enhancements. The processes provided good ideas for budget and cost management and were a good learning experience for the participants on what costs BPA can control. The Power Function Review process that precedes the rate case is another place the agency can get ideas and have people see what BPA's costs are.

Smith said the Sounding Board gave the region an opportunity to see the budgets of Energy Northwest and the U.S. Army Corps of Engineers and Bureau of Reclamation and to see all the non-BPA budgets and programs that BPA funds. The Board also looked at the fish and wildlife and conservation budgets. It was a good education for participants.

Limiting BPA's Long-Term Load Service Obligation

Goodwin explained that the fact that customers who meet BPA's standards of service requirements can put all their net requirements load on the agency is a very important issue. The agency cannot take the risk of repeating the Subscription process in which 3,000 unexpected megawatts were placed on the agency, and BPA had to buy power to meet the load. The Regional Dialogue proposal is for BPA to limit load service to the Federal Base System. Load served beyond the Federal Base System would be at higher rates. This is a change from the melded rates of the last 65 years. Some customers may want to build or acquire their own resources, while many probably will look to BPA to meet their load growth.

A discussion of the implications of the proposal followed. In response to questions, Goodwin and Johnson explained that BPA must meet the net requirements of its customers and has the authority to acquire resources to do so. Johnson emphasized that any "allocation," which is not a term BPA uses, would be of costs and not of physical power. Johnson said that, under section 5(b) of the Northwest Power Act, BPA cannot limit the load obligation customers place on the agency. BPA has acquisition authority in order to meet customers' net requirements loads. BPA will use rate design to meet loads that exceed the Federal Base System. That rate design hasn't been developed yet.

In response to a question about whether the agency was thinking about changing its product mix, Goodwin said that customers seem pretty happy with the mix. The Public Power Council suggested the same mix of block, Slice and load following products. Smith noted that BPA is still evaluating Slice, which is a pilot project, to see if it is operating within the principles the agency used to establish it.

One person asked if BPA has surplus power and whether that power could be used to supply a new public utility for two to three years. Goodwin replied that the issue is that customers have contracts through 2011 and the soonest new contracts would be available is October 2008. Customers will have to decide whether to hold on to their existing contracts or go to new 20-year contracts. The first decision is to limit BPA's long-term load service obligation. Then the agency will have to make a decision on new publics, new products, the IOUs and Slice issues.

Service to New Publics

Goodwin explained that, under the proposal, new publics will have to meet service standards and apply by June 30, 2005, or they may be subject to PF plus a Targeted Adjustment Clause in the next rate period. They may then get rolled into PF in a future rate case.

Goodwin noted that the proposal is fairly controversial because some utilities believe that it means that everyone will get less power if a new public comes on the system

A complex and lengthy discussion ensued after a representative of a group that has prepared a bid for the NorthWestern Energy transmission and distribution system asked a series of questions concerning service standards, service territory, load size and the June 30, 2005, deadline.

CT Beede of BPA pointed out that the June 30 date is a proposed date. He said that the group could comment on the date and say that it is too short or that the group needs an exception. Goodwin pointed out that Subscription included some contingent contracts so there is a precedent. Some tribes had not yet formed utilities during the Subscription process and signed contingent contracts. Johnson noted that an entity in Montana may already have a contingent contract for part of the 75 megawatts in Subscription. If BPA decides to adopt a shortened rate period, then it may not need to offer contingent contracts because the rate period could be from two to three years. Smith said that BPA expects to handle this issue in the long-term proposal in the July 2005 timeframe to get to a long-term policy.

There was much discussion on whether BPA resources could be used to supply the portion of the NorthWestern Energy territory east of the continental divide if the load west of the divide qualified to be supplied by BPA. Johnson said that section 5(b) of the Northwest Power Act applies to eligible load within the western part of Montana and he would expect power sold pursuant to section 5(b) would be used to serve only that load. He noted that since Residential Exchange benefits (not load) can be used outside the western part – benefits may be used outside the west but not electrons.

There was much discussion on whether state requirements could determine if the benefits had to stay west of the divide. Johnson said he thought there may be a way to extend the benefits.

A representative outlined how the new utility in Montana would be formed. Five cities formed the Montana Public Power Authority. The Authority board then created a public nonprofit corporation to submit a bid for the NorthWestern Energy system and would operate it. Because it is a corporation, it would fall within the authority of the Public Service Commission on rates but would be controlled otherwise by the cities. Given that, the question was posed whether the utility would be eligible to purchase federal power as a public utility.

Johnson said that he would have to look at the Montana annotated code to see the path and better understand the issues. Flathead Electric Coop created a utility to provide power service to incorporated Montana cities purchased from PacifiCorp with population densities greater than 3,500 since coops were prohibited from serving these areas under Montana law. When Flathead requested section 5(b) power service for this new entity, BPA determined it did not qualify for 5(b) service because it couldn't qualify as a public entity under federal law. He explained that, in applying the standards for service, BPA is guided by the Bonneville Project Act of 1937, which includes two definitions – public body and cooperative. Ultimately, BPA will be applying those definitions in making the eligibility determination.

Much discussion arose over the financial impact on BPA's rates if a new Montana utility with 500 to 600 megawatts of load qualified for service. Some attendees expressed concern the existing BPA customers would resist new publics if they create a rate impact.

Goodwin said that, if new public load gets service and BPA has to acquire resources, the question is whether to meld the cost of the acquisition or to TAC the new public for a short time or long time. Under the short-term Regional Dialogue proposal, if a qualifying entity meets the requirements by June 30, 2005, no matter the size of the load, BPA would meet it at the lowest-cost PF melded rate. There is no policy yet for the next rate period.

Smith noted that anything beyond 6,900 megawatts of load placed on BPA means that the agency would be going to market or acquiring resources. She said that a 500 to 600 megawatt number would be a major issue.

As the meeting ended, Smith reminded everyone that the close of comment on the proposal is Sept. 22 and urged everyone to submit comments and to be actively involved in the long-term issues discussion.

McKinstry
For The Life Of Your Building

R04-0061
SEP 22 2004

September 20, 2004

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

Regarding: McKinstry Co. Comments on *BPA's Regional Dialogue Policy Proposal for FY 2007-2011*

Attention: Paul E. Norman, Sr. Vice President, BPA Power Business Line

Mr. Norman:

We appreciate the opportunity to provide commentary on the need for continued and consistent focus from BPA and local utilities in the arenas of renewable energy and energy efficiency. We presume, based on the current actions and dialogue coming from BPA and leading utilities such as SCL, PSE, and Avista, that there is a clear appreciation of both the environmental and fiscal benefits of a strong focus on renewables and energy conservation to those organizations, the rate payers, and citizens at large. Therefore, we will focus our comments in two areas that are related to commercial rate payers and the energy efficiency industry:

1. **Consistency:** In the last fifteen (15) years we have seen the cyclic nature and inconsistent focus and commitment to renewables and energy efficiency by BPA and the utilities. This has led to an energy efficiency industry that has been unable to maintain consistent regional employment and long-term business objectives required to form healthy businesses that are built to last. This inconsistency has also driven commercial rate payers (corporations, industrial manufacturers, building owners, cities, school districts, colleges & universities, etc.) to also treat energy conservation in the same inconsistent manner.

   BPA and the utilities need to take the lead in renewables (by seeding renewable projects), as well as in energy efficiency (by offering consistent technical support and incentives) year over year. *Responsible leaders are consistent.* And in return for this consistency the energy efficiency industry and commercial rate payers will be able to not only provide the region with cost effective power through renewables and conservation, we will INNOVATE other long term sustainable solutions to our regional energy needs! And over time, with consistency, together we will exceed all expectations. BPA must take the lead and be consistent with your commitment.

2. **Real Work, Real Jobs:** Over the last several years, the construction industry has been greatly impacted by the recession and other national and global events. Interestingly, over that same time period, primarily driven by the energy "crisis" of 2001, BPA and utilities have increased their level of commitment to energy conservation. Based on this commitment, McKinstry's Energy & Facility Services Division has been able to deliver over $30 million dollars of energy and utility conservation projects to clients in both the private and public sector. Examples of this work include improving the physical learning environment in many school districts with energy efficient lighting, heating, and control systems. And improving the bottom line of private companies, while improving their

5005 Third Avenue South * Seattle, WA * 98124-0567 * 206.762.3311 * Fax 206.762.2624

market presence, through various infrastructure upgrades. *Real work* that has demonstrated direct benefits that impact our environment, our children, and our economy.

This *real work* has also meant that McKinstry has been able to maintain the employment of over 50 staff and professional engineers, as well as the need for 200 to 300 FTE trade jobs regional year over year. These are ***real jobs*** (engineers, sheet metal workers, plumbers, pipe fitters, electricians, etc.) that would not have existed if it was not for the ***real work*** generated by energy efficiency projects.

Again, we appreciate the opportunity to comment and offer any additional support that may be needed to ensure that the *consistent* commitment to renewables and energy efficiency moves from an ongoing regional dialogue to *real work & real jobs*! Feel free to contact me at 206.762.3311, or at asha@mckinstry.com.

Sincerely,
McKinstry Co.

Ash Awad

Ash Awad, PE
Vice President, Energy Services

President of NEEC Board of Directors

R004-0067

SEP 2 2 2004

Kuehn,Ginny

From: Rockwood,Theresa E
Sent: Wednesday, September 22, 2004 8:47 AM
To: BPA Public Involvement
Subject: FW: BPA Regional Dialogue Comments

Regional Dialogue Comments.doc... Richard Jackson-Gistelli.vcf

-----Original Message-----
From: Richard Jackson-Gistelli [mailto:RICHARD@epud.org]
Sent: Tuesday, September 21, 2004 7:10 PM
To: Rockwood,Theresa E
Cc: Charley Hathaway (E-mail); Doug Cooper (E-mail); Ed Sherman (E-mail); Bob Mieger; Frank Lambe
Subject: BPA Regional Dialogue Comments

Theresa-

Attached are my comments regarding Section H of the Regional Dialogue Proposal. We look forward to seeing the results of this proposal.

I have also been asked to invite you to visit the mills sometime with myself and perhaps with Chuck to discuss the official proposal prior to the ROD. What is your schedule over the next month or so?

Let me know and I will finalize the details.

<<Regional Dialogue Comments.doc>>

Richard M. Jackson-Gistelli, PE
Key Accounts & C/I Lead
Emerald People's Utility District
541.744.7435 (Office)
541.726.1128 (Fax)
<<Richard Jackson-Gistelli.vcf>>

RD04-0062

SEP 2 2 2004

EMERALD PEOPLE'S UTILITY DISTRICT
33733 Seavey Loop Road
Eugene, OR 97405-9614
Phone (541) 746-1583
FAX (541) 746-0211
www.epud.org

September 16, 2004

Theresa Rockwood
Bonneville Power Administration
PSW-6
P.O. Box 3621
Portland, OR 97208-3621

SUBJECT: **Regional Dialogue Comments**

Theresa-

I have had the opportunity to review BPA's Policy Proposal for Power Supply Role for Fiscal Years 2007 – 2011. I am particularly interested in the content of section H. Service to New Large Single Loads and, after reviewing this section with my customers in Halsey, have a couple of comments on my and their behalf to make.

Before our comments we would first like to applaud BPA for including this section in the proposal. By offering NLSL customers limited access to the PF rate you have increased the economic feasibility of on-site cogeneration and/or renewables in a "Win-Win" arrangement.

1. Our first comment involves the definition of who is actually qualified to receive this offer. Emerald has two NLSL customers in Halsey and feel certain that they qualify however, your use of the term DSI over and over in the section leads us to question our certainty. We feel strongly that customers such as Pope & Talbot and Georgia Pacific make perfect candidates for this type of offer and want to insure that they are qualified when the final ROD is signed.

   Therefore we recommend that you clarify this section to only apply to NLSL's such as our Halsey customers by removing any reference to DSIs. If this offer is to be made to DSIs state that in the section pertaining to DSIs.

2. Our second comment regards the requirement of a customer to meet the rest of its plant load served by renewables or on-site cogeneration in order to qualify for the 9.9 aMW at the PF rate. This requirement can force a customer to have to install a plant or purchase

an amount of renewables so large that it is not economically feasible to do so and thus defeats the intent of the proposal.

In an effort to truly encourage renewables and on-site cogeneration we recommend that BPA consider revising this requirement instead to match a customer 1aMW at the PF rate for every 1 aMW of renewables purchased or on-site cogeneration installed up to 9.9 aMW.

Theresa thanks for giving us an opportunity to comment on BPA Policy Proposal for Power Supply Role for Fiscal Years 2007 – 2011. Please feel free to us if you have any questions regarding these comments.

Sincerely,

Rich Jackson-Gistelli

Richard M. Jackson-Gistelli, PE
Account Executive
Emerald People's Utility District
541.744.7435

RO04-0063
SEP 22 2004

Montana
GOVERNOR'S STATE WORKFORCE INVESTMENT BOARD

Governor Judy Martz

September 21, 2004

Paul E. Norman, Senior VP
Department of Energy
Bonneville Power Administration
PO Box 3621
Portland, OR 97208-3621

Dear Mr. Norman:

As you deliberate on the Bonneville Power Administration's Policy Proposal for power supply into the future, we hope you will reconsider your position on service to Direct Service Industries (DSIs), specifically Columbia Falls Aluminum Company (CFAC) in Montana. CFAC must have the ability to purchase cost-based power from Bonneville.

In recent years, the State of Montana has experienced the impacts of large cutbacks in production and in the workforce at the aluminum plant. The workforce at Columbia Falls Aluminum is one of the highest paid and historically most secure in Montana. When a job at the aluminum plant is lost, the "multiplier effect" causes the indirect loss of up to two to three other jobs in the region. Because the Columbia Falls Aluminum Company wages and benefits are very good, statistics show that economic developers must create about two jobs on average for each aluminum job lost for the local economy to "break even" in total wages in the area. It is vital to the economic health of Columbia Falls and surrounding communities in Northwestern Montana, and indeed to the entire State that Columbia Falls Aluminum Company continues to provide those important and dependable jobs.

The aluminum industry in Montana continues to be a vital part of our workforce and our economy. The inability to purchase power from BPA would seriously jeopardize these valuable jobs and the industry as a whole. In order to maintain its current workforce and help to bring new workers into the economy, Columbia Falls Aluminum must be able to buy power from the Bonneville Power Administration at a cost based rate.

The State Workforce Investment Board of Montana encourages you to renew the current service contract with Columbia Falls Aluminum, and with the other DSIs in the Pacific Northwest region.

Sincerely,

Ellen Engstedt

Ellen Engstedt/Vice Chair
Montana State Workforce Investment Board

RD04-0064
SEP 2 2 2004

Cut Bank, Montana
59427
WILLIE WIREHAND

Bonneville Power Administration
905 NE 11th Ave
Portland, OR 97232

September 22, 2004

To Whom It May Concern:

Thank you for this opportunity to make comments on the BPA regional dialogue policy proposal. Glacier Electric feels that public comment is an important part of the policy making process.

Glacier Electric is on the east side of the rocky mountain front in northwestern Montana. Glacier has around 7000 meters in 4 counties and the entire Blackfoot Indian Reservation. The primary customer base is residential and rural consumers. Also, a large amount of your customers are low income and live on wages that are below the poverty guidelines.

I want to start out by stating, Glacier Electric is in support of the regional dialogue policy proposal. We appreciate the efforts made to clarify future key power supply issues. It is extremely important to have a plan that will help stabilize power rates and in turn stabilize our local communities.

Over the past several years Glacier has operated under a pre-subscription contract that has allowed Glacier to maintain stabilized rates. As we look into the future, it is hard to predict what power costs will be. I cannot stress enough how important it is for BPA to give its customers an early "heads up" on future power supply costs and policy directives. By giving early warning signs, this allows us to budget, plan, and institute gradual phased in rate increases. Also, it is important that contractual rights that guarantee the delivery of power at the lowest cost-based PF rate are protected and I emphasize "cost-based".

When wholesale power cost make up about 30-45% of your members power bill. It is important to manage these costs and reduce risk.

On the issues of cost control and risk, I would like to echo some comments made by fellow utility managers and point out some things that are not clear in the policy proposal.

In the Policy Proposal there was discussion of BPA risk and cost but the proposal was silent on the risk and cost to the end customer, the homeowners, businesses, farmers … Parties that have very limited voice in the debates and issues facing the northwest power community. It is a tendency of all people and organizations to focus on themselves and forget whom they are providing a service/product for. It needs to be a priority for me as a utility manager and the employee's of the Cooperative to constantly remind ourselves that we are here to serve our customers. It is also incumbent upon BPA for you to not lose focus of your place in serving the end user of electricity. That the risk you evaluate need to include the impact on those end customers.

Secondly, the Policy Proposal identified the importance of controlling cost and having expenses be "best practices". What the proposal was silent on was setting the same standard of best practices and transparency for fish and wildlife cost. There is no reason that the fish and wildlife programs, funded by ratepayer dollars, should not meet those same standards of accountability.

As policies are being established on such topics as service to annexed IOU loads, product availability, service to DSIs, conservation and renewable resources, and service to residential and small farm consumers, I feel that BPA needs to keep in mind the foundations of public and regional preference.

In the 1937 Bonneville Project Act, the foundation of public preference in the northwest, section 4 says: In order to insure that the facilities for the generation of electric energy at the Bonneville project shall be operated for the benefit of the general public, and particularly of domestic and rural consumers, the BPA administrator shall at all times, in disposing of electric energy generated at said project, give preference and priority to public bodies and cooperatives...

In the 1964 Pacific Northwest Preference Act, the foundation of regional preference in the northwest, section 2 states: the sale, delivery, and exchange of electric energy generated at, and peaking capacity of, Federal hydroelectric plants in the Pacific Northwest for use outside the Pacific Northwest shall be limited to surplus energy and surplus peak capacity.

It is important that Public Power protect all preference rights. The survival of our rural communities depend on and counting on us being able to delivery affordable electricity.

Furthermore, Glacier Electric has comments on specific aspects of the regional dialogue policy proposal.

Tiered Rates: BPA proposes not to implement tiered rates in 2007. Glacier Electric has the lowest PF contract language that prohibits BPA assessing a tier 2 rate for any portion of their load. BPA is making the correct contract interpretation.

Rate Period: Glacier Electric 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.

New Public Power Loads: Glacier Electric 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 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.

Non Federal Resources: Glacier Electric 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.

IOU Benefits: Glacier Electric is a member NRU and supports the views of NRU on the issue of IOU benefits. NRU takes exception to the Subscription contracts that were entered into with the investor-owned utilities as a result of the 1998 Power Subscription Strategy, and we are involved in litigation challenging the implementation of this strategy. Pending the outcome of that litigation, in the interim NRU 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.

Conservation: Glacier 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. Glacier feels the role of the Regional Technical Forum is essential in fine-tuning the C&RD to achieve conservation goals at a lower cost.

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." Glacier 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."

Cost Control: Cost control is essential to any approach to developing long term contracts and a long term approach to ratemaking. Glacier 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.

Again, thank you for your time and opportunity to make comments on the BPA regional dialogue policy proposal.

Jasen R Bronec

Jasen R. Bronec
General Manager
Glacier Electric Cooperative

RD04-0065

SEP 2 2 2004

snake river alliance

IDAHO'S NUCLEAR WATCHDOG

September 22, 2004

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

RE: Comments on Bonneville Power Administration's Regional Dialogue Draft

Dear BPA Staff,

The Snake River Alliance is an Idaho-based grassroots group working through research, education, and community advocacy for peace and justice, the end to nuclear weapons production activities, and responsible solutions to nuclear waste and contamination. I submit these comments on behalf of our board of directors and dues-paying members.

I would like to thank Bonneville Power Administration for the bold, positive steps it has taken in its Regional Dialogue proposal, such as pledging $21 million a year to assist renewable power development and committing to acquiring its share of the 2,800 megawatts of cost-effective energy efficiency available in the region.

However, to make this proposal truly beneficial to the Northwest economy, to working families, all consumers and the environment, BPA must:

- Specify how it will work with customer utilities to meet region-wide efficiency goals.
- Acquire targeted renewables to provide the certainty private developers need to proceed with new projects and ensure small utilities access to new renewable resources.
- Significantly increase the funding of its low-income weatherization program.
- Ensure adequate power supplies and reserves to prevent a future energy crisis.

For a more thorough analysis of the proposal, I urge you to read the comments submitted by NW Energy Coalition staff. I appreciate and look forward to BPA's continued positive role in facilitating and developing renewable energy, acquiring energy efficiency and providing low-income services.

Sincerely,

Jeremy M. Maxand
Executive Director

104 S Capitol Blvd
PO Box 1731
Boise, Idaho 83701
(208) 344-9161 voice
(208) 344-9161 fax

411 E 6th Street/ERC
PO Box 4090
Ketchum, Idaho 83340
(208) 726-7271 voice

310 E Center Street
Pocatello, Idaho 83201
(208) 234-4782 voice
(208) 232-4922 fax

R004-0067

SEP 2 2 2004

September 22, 2004
Submitted at: comment@bpa.gov

Paul E. Norman
Senior Vice-President
Power Business Line
Bonneville Power Administration
P.O. Box 14428
Portland, OR 97239-4428

RE: Comments of Alcoa on BPA's Regional Dialogue Policy Proposal

Dear Paul:

As you know I have attended each of the scheduled BPA public meetings and provided comment on BPA's Policy Proposal for Power Sale Role for Fiscal Years 2007-2011, dated July 7, 2004, ("Proposal"). Alcoa Inc. submits the following to supplement the comments already on the record.

Introduction

In the 2000 Subscription process, BPA offered five and ten year contracts to its utility customers in satisfaction of BPA's section 5(b) obligations; ten year contracts to regional investor-owned utilities (IOUs) in settlement of BPA's exchange obligations under section 5(c); and five year contracts to Alcoa and other direct service industries (DSIs). The Proposal addresses power service issues for the five out-years of the

Subscription period (2007-2011) which are left unresolved by the five-year contracts, including:

- New contracts for service to existing public utilities with expiring five year contracts
- Service to new public utilities
- New contracts for service to Alcoa and other qualifying DSIs.

In addition the Proposal requests comment on a proposed long-term policy (post-2011) to limit BPA's power sales at the lowest cost-based rate to an amount approximately equal to the existing Federal system.

I. Alcoa supports BPA's proposal to extend expiring public utility contracts at the lowest PF rate.

The contracts of seven public utilities expire on September 30, 2006. Three of these contracts provide that power sold under a follow-on contract will be priced at the "lowest PF rate". The remaining four contracts do not include this assurance. The implication is that the BPA has the discretion to "tier" the PF rates in the next rate period and offer these customers a new contract under section 5(b) at the higher, "tier 2" PF rate.

Similarly, four public utilities have ten-year contracts, but the right to increase their purchase amount. These contracts do not provide that the additional amount would be sold at the lowest PF rate.

BPA has proposed to exclude a tiered PF rate from its initial rate proposal in the next rate case. Consistent with this proposal, BPA proposes to use its discretion to offer

new contract extensions or amendments to public utilities with a five-year contract or ramp-up provisions providing that this new or additional service will be priced at the lowest PF rate. BPA's proposal is based on its desire to "create parity among all public customers" because, "such an alignment will facilitate
BPA's move toward developing and offering new long-term contracts". Alcoa agrees and, as discussed below urges BPA to consider this same rational in exercising its discretion to offer a follow-on contract to Alcoa.

II. Alcoa needs a follow-on contract for 438 MW to continue and to have the opportunity to restore operations and employment.

BPA proposes to provide service benefits to DSIs that "are creditworthy and have fully met their obligations under their Subscription Contracts". BPA asks for comment on the alternatives for providing DSI benefits including: an IP power sale, financial incentives to operate, a surplus power sale, and/or credit support for new DSI generation.

A. BPA should use its discretion to offer Alcoa a follow-on contract.

BPA recognizes that "the DSIs have been an important part of the Pacific Northwest economy for decades". BPA has the authority to offer Alcoa a new power sales contract with sales at the IP rate commencing in October 2006. Alcoa has been and remains a good corporate citizen for the Northwest. At each public meeting, you have seen and heard from employees at the Alcoa Intalco plant about the economic and personal impact that closure of Intalco would have on their lives, their families and their community. You have heard from community leaders and state legislators on the impact that closure of Intalco would have on the local tax base, financial support for local schools, and the multiplier impact on local and regional businesses and employment.

In the current and expected power market, Alcoa needs a follow-on power sales contract from BPA to continue and to have the opportunity to restore operations. BPA is proposing, in the second part of this regional dialogue process, to address BPA's long-term role post-2011. As with BPA's decision to use its discretion to extend five year contracts with its public utility customers to create alignment for this long-term discussion, so too Alcoa needs a follow-on contract to be constructively aligned, rather than on the outside, for this regional discussion on BPA's long-term role.

B. Alcoa is creditworthy and has fulfilled all its Subscription contract obligations.

In 1980 there were ten aluminum smelters in the Northwest. In the last few years, three smelters have been scheduled for dismantling (Tacoma, Mead and Troutdale), and three other smelters are in bankruptcy (Longview, The Dalles, and Goldendale). Alcoa's Intalco facility is the newest and most efficient smelter in the Northwest. It continues to operate today, although at lower levels. As a consequence, the load of qualifying DSIs is much smaller than the sum of the historic contract demands and even much smaller than the 1440 MW of Subscription contracts offered in 2000.

C. Alcoa needs 438 MW of firm power at a PF equivalent rate.

Alcoa's current contract is for 438 MW of firm power. Alcoa needs a follow-on contract in the same amount to continue and to have an opportunity to restore operation to economical volumes while long-term issues are decided.

BPA proposes to provide "up to 500 aMW of service benefits". Alcoa's request is within this amount. However, the 500 MW amount is unnecessarily arbitrary. It had its genesis in a public /IOU proposal which assumed (without expressly stating) 100 MW for each of five smelters, two of which are now in bankruptcy. The concept of 100 MW per smelter was faulty from the beginning. The smelters are different sizes; Intalco is the largest smelter in the region at a capacity of almost 500 MW and a 100 MW allocation would be less than 25 percent of its needs.

Moreover, BPA's purpose in providing benefits is to "enable aluminum production and maintain Northwest jobs". A 100 MW allocation is not sufficient to operate Intalco economically. A 100 MW allocation will not "enable" operations or "maintain" jobs at Intalco.

D. Alcoa prefers a power sales contract but a financial incentive, if necessary to preserve the benefits of the power sale, is acceptable.

Alcoa needs a follow-on firm power sales contract with the following elements:

1. A contract amount of 438 MW;
2. Sold at section 7(c) (2) rate (lowest PF rate power plus a typical margin less value of reserves);
3. For a term equal to the next rate period (2 or 3 years); and
4. As under all existing DSI contracts, Alcoa would have the right within 30 days of FERC's interim approval to terminate the contract.

BPA is concerned that a power sale would require augmentation at an unknown cost and create rate uncertainty. This result depends on how much and when BPA chooses to make purchases. Even if BPA is only serving contracted-for public utility load, BPA would remain a significant buyer and seller in the market even without explicit "augmentation" purchases, because the shape of BPA's generation does not match the shape of these load obligations. BPA can avoid this market role only if it sells 100% slice products, which it is not proposing. These "imbalance" purchases and sales create rate uncertainty. Further, the IOU payment is determined year to year based on annual market quotes and it will also create rate uncertainty.

BPA is not proposing to eliminate all rate uncertainty, and BPA should not expect zero uncertainty from its power sales contract to Alcoa. As with the publics, BPA has options for addressing projected imbalances. For example, BPA could purchase a two year block ahead of the rate case process. However, in a better than average water year that might not be the best approach because BPA could buy less power than Alcoa's contract amount and still serve Alcoa. The point is, BPA exercises this type of discretion all the time to serve the publics. Rate uncertainty will not be created in the first instance by service to Alcoa and, while it may not be completely eliminated, it can be managed to reasonable levels.

While preferring a power sale, to address BPA's rate certainty concerns, Alcoa would consider a fair settlement of the power sales contract in the form of a financial incentive to operate. Such a financial settlement would be effective before the rate case (i.e. before any augmentation purchases by BPA and early enough to allow Alcoa to make market purchases) and would be based on a defined measure of payment: a cash incentive for each MWH purchased by Alcoa equal to a market price less the lowest PF rate. This is similar to the IOU settlement and would relieve BPA from the need to determine either a RL or IP rate in the next rate case. Many other elements would need to be addressed by BPA and Alcoa in the settlement contract: the timing of payment, a potential market or total payment cap, etc.

E. BPA and Alcoa should explore whether an interruptible sale would provide value to BPA and Alcoa.

Separate from the 438 MW firm sale, BPA and Alcoa should enter into discussions to determine whether there is a combination of pricing and interruption terms that would create a product of value to both Alcoa and BPA.

F. BPA's credit support for new resources provides no value to Alcoa.

Alcoa is creditworthy and does not need BPA's credit support.

Alcoa does not believe that new generation, at current gas prices, is a viable energy alternative for Alcoa's facilities, with or without BPA's credit support. Moreover, a credit support alternative appears to be inconsistent with the qualifying criteria of creditworthiness.

III. BPA should not preclude a public utility, under all circumstances, from purchasing power at the lowest PF rate to serve existing DSI load.

The Proposal addresses a narrow issue regarding service to new large single loads (NLSL); specifically: "whether BPA should change its NLSL policy to allow current and former DSI customers' production load served at BPA's IP rate, or any other rate, to transfer and receive power service in 9.9 aMW increments from a public body, cooperative, or Federal agency customer with power purchased at BPA's PF rate."

BPA's proposal is to continue its current NLSL Policy but with an exception for cogeneration and renewables. Specifically, "this exception would allow former DSI load to take a total of 9.9 aMW of service from a local utility at the PF rate if the rest of its plant load was served by renewables or on-site cogeneration." In effect, existing or former DSI load would not be treated as a NLSL under certain circumstances.

Alcoa does not believe that annual 9.9 aMW increments provides a viable service alternative for its plants. However, Alcoa does support a BPA policy recognizing that a public utility in some circumstances can purchase power from BPA at the lowest PF rate for service to a former or existing DSI load. While the cogeneration or renewable option is not viable for Alcoa, there may be other circumstances in the future which do provide a viable alternative for Alcoa.

Alcoa load was categorized as a New Large Single Load under BPA's policy following the passage of the Northwest Power Act as a way of continuing direct power service and maintaining valuable power reserves for BPA. Had BPA not wanted to serve this load directly, it is likely that these loads would have been served as customers of consumer-owned utilities, much like many other industrial loads in the region. It would not be fair today to deny service to Alcoa's long-standing loads just because BPA's policy put these loads in a separate category from other regional loads under a now outdated policy. While we expect that a change in BPA's NLSL policy to grandfather qualifying DSI load is beyond the scope of the Proposal, BPA should take no action now that would foreclose using that option to solve long-term issues.

IV. BPA's long-term policy to limit power sales at its lowest cost-based rate must not preclude continued sales at such rate to Alcoa.

Alcoa supports BPA's long-term policy provided that this policy leaves room for power sales to Alcoa at the lowest cost-based rate or equivalent financial benefits. The allocation of the existing Federal system should provide a share for Alcoa (either power or benefits) even if the "existing Federal system" needs to be defined to include some permanent augmentation.

In conclusion, BPA is considering some very promising, but fundamental changes for its long-term role in power supply. Alcoa appreciates the open and collaborative process BPA is using to consider these changes, and urges BPA to allow Alcoa to continue to be a valued regional partner as we move forward.

Sincerely,

Jack A. Speer

NW Vice-President for Governmental and Energy Affairs

R004-0068
SEP 22 2004

September 20, 2004

Paul E. Norman
Sr. Vice President, PBL
Bonneville Power Administration
P.O. Box 14428
Portland, OR 97293-4428

Re: Comments on BPA's July 7, 2004 Policy Proposal for Power Supply Role

Dear Mr. Norman:

Thank you for the opportunity to comment on BPA's power supply role. First we would like to compliment BPA on listening to their power customers on most of the FY 2007 – 2011 policy issues. We agree with BPA's proposed policies in the following areas:

- Limiting BPA's sales at embedded costs to the output of the FBS
- No tiered rates in next rate period
- Service to publics with expiring 5-year contracts
- Service to new publics/annexed IOU load in FY 2007-2011
- Financial benefits rather than power to IOUs
- Schedule

We have some input to provide on the following issues:

- Limit the next rate period to two years.
- We disagree with BPA's proposal on product switching. We strongly disagree with BPA's assertion that "one outcome of this (Slice True-up) litigation could result in a significant cost shift from Slice customers to non-Slice customers. Increasing the amount of Slice purchase while such a cost shift risk exists is a significant concern." A cost shift might have indeed occurred. If Slice customers paid for items that properly should have been paid for by others, a cost shift occurred to the Slice customers. This is not a valid reason to limit expansion of the Slice product. Limited additional amounts of Slice should be allowed to existing Slice customers and those wishing to switch to Slice.

2721 West 10th Avenue • P.O. Box 6270 • Kennewick, WA 99336-0270 • (509) 582-2175 Tel • (509) 586-1710 Fax

- We are comfortable with limited sales to "qualifying" DSIs of **surplus firm power** (no augmentation) in the next rate period provided these DSIs agree, in an enforceable agreement, not to seek BPA firm power in the future.
- BPA should only sell the facilitation services for renewables at cost. We do not see a need for BPA to provide an anchor-tenant role.
- BPA should continue a conservation role provided it allows for local control and acquires the conservation at low cost.

We have the following comments on longer range issues:

- Governance – Do not dismiss the possibility of legislative fixes, if necessary. Customers are concerned that there isn't a way to have meaningful influence on BPA under current statutes.
- Allocation – BPA should support and implement the allocation methodology developed by PPC. Some utilities may choose to take their percent allocation in a "Slice-like" product. Others may assign their allocation back to PBL to manage. (Requirements Pool)
- Budget control – Transparency (such as the Collaborative) is a good start and needs to continue. Search for ways to allow customers to invoke binding arbitration for budget disputes in certain areas.
- Spending control – Continue with monthly reports of actuals vs. budgets, but quarterly elevate to the VP level at BPA.
- Rates – Consider setting rates based on the annual budget with a true-up at the end of the FY that all customers would pay. This would align all power customers' interests and greatly reduce future rifts among customers on budget and rate issues. Traditional rate setting could primarily entail determining how to charge the requirements pool for their share of the annual budget and dealing with non-firm, shaping, and augmentation power costs/revenues.

Sincerely,

James W. Sanders
General Manager

JWS/gcb