



**Eugene Water & Electric Board**

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RD04-0127  
SEP 24 2004

September 24, 2004

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

Subject: BPA's Regional Dialogue Policy Proposal

Dear Mr. Norman:

The Eugene Water & Electric Board is pleased to offer the attached comments on BPA's "Policy Proposal for Power Supply Role for Fiscal Years 2007-2011". We understand that the primary purpose of this BPA proposal is to resolve certain near-term issues that bear on the upcoming rate period, as well as your agency's proposed approach to certain power sales contracts due to expire in 2006. EWEB's written comments therefore focus primarily on these near-term issues.

Although not a focus of our current comments, we also appreciate BPA's willingness to consider a longer-term allocation of the existing low-cost federal power resources as outlined in the final section of your proposal. EWEB and this region's other publicly owned utilities strongly support this initiative as a means for securing a long-term, stable, and affordable future power supply for our customers. We urge you to proceed with the expedited schedule you have proposed, so that this and other related matters can be resolved well in advance of the next contract period.

Finally, we wish to note EWEB's keen interest in BPA's New Large Single Load (NLSL) Policy. Because we provide service to one customer previously designated as a NLSL, and to another that holds Contracted For/Committed To (CFCT) status, we have made expenditures and power supply decisions that rely on the stated substance of BPA's NLSL policy. We therefore advise that any changes or exceptions to BPA's current policy should be made through a full and formal public process, with well-documented policy revisions reflected in a revised NLSL Record of Decision.

Again, we appreciate this opportunity to participate in your policy review process. Determining an appropriate course of action necessary to protect, enhance and distribute the benefits of the Federal Power System is important work.

Sincerely,

Dick Helgeson  
Director, Power Resources  
Eugene Water & Electric Board

Attachment

September 24, 2004

**Eugene Water & Electric Board  
Comments on  
BPA's Policy Proposal for Power Supply Role for Fiscal Years 2007-2011**

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This paper provides EWEB comments on the BPA draft policy proposals for their Power Supply Role for FY 2007 – 2011. (Refer to BPA paper titled “*Regional Dialogue – Bonneville Power Administration’s Policy Proposal for Power Supply Role for Fiscal Years 2007-2011*” dated July 7, 2004.)

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

EWEB agrees that BPA should continue their commitment to provide the lowest cost-based PF rate to customers with existing 10-year Subscription contracts through the term of those contracts. EWEB also agrees that if BPA adopts a tiered rate design during the term of these contracts, BPA should not apply that higher price PF Tier 2 rate to customers that have the low PF rate guarantee prior to 2011 absent an allocation of the Federal System and the offering of new contracts to all customers.

**B. Tiered Rates.**

Notwithstanding EWEB’s position on item A above, we agree that tiered rates should be fully explored as a means to achieve the goal of limiting BPA sales of firm power to its Pacific Northwest customers’ firm requirements loads at embedded costs to approximately the firm capability of the existing Federal system.

EWEB also agrees that tiered rates should not be implemented in the rate period starting in FY 2007. (As a practical matter, “Slice” and “Block” customers such as EWEB already face a “tiered rate” structure, due to their entitlement to a fixed amount of power from BPA at the lowest PF rate).

At such time that BPA explores tiered rates as part of an integrated long-term contract and rate solution that would implement the proposed long-term policy of limiting BPA sales at embedded costs for Pacific Northwest firm requirements loads, EWEB would like to underscore the following constructs applicable to tiered rate implementation:

- 1) BPA has effectively imposed “tiered rates” in the past through its Targeted Adjustment Clause (TACUL) rate mechanism imposed in the 2000 time frame;
- 2) BPA has a “tiered rate” structure available to it through the Priority Firm (Section 7(b) ) and New Resources (Section 7(f) ) rate mechanisms outlined in the Regional Act.

EWEB looks forward to refining BPA’s tiered rate implementation at the appropriate time in the future.

**C. Term of Next Rate Period.**

EWEB agrees with BPA’s proposal to limit the term of the next rate period (beginning in 2006) to 2 or 3 years, particularly if it results in more certainty with respect to BPA’s costs and revenues. In this regard, it should be BPA’s highest priority to keep power rates as low as possible and to minimize or eliminate the use of CRACs during the upcoming rate period.

**D. Service to Publics with Expiring 5-Year Purchase Commitments that don’t Contain Lowest PF Rate Guarantee Through FY 2011.**

EWEB agrees with the BPA policy proposal that those publics with 5 year purchase contracts expiring in 2006 should be able to extend those contracts to 2011 and receive service at the lowest PF rate through the new term.

**E. Service to New Publics and Annexed IOU Loads.**

EWEB believes BPA has obligation to provide service to new public utilities provided such new utilities comply with all BPA service criteria standards. For the period between now and 2011, we agree with BPA’s approach to adding new publics. However in the context of a long-term allocation and potential future application of a tiered rate approach, BPA will clearly need to resolve how new publics would be handled over the course of new 20-year contract periods.

**F. Product Availability.**

EWEB supports the BPA policy proposal that existing customers with purchase contracts that expire in 2006 can extend those contracts through 2011 with no changes. We also believe that new customers or customers with contracts expiring in 2006, such as the Emerald People’s Utility District, that want new

contracts should be able to select from any of the products BPA offered in the original regional subscription process.

In addition, EWEB believes that customers with contracts expiring in 2011 should have a limited opportunity to change their product purchase mix. Such changes would include, to the extent they could be completed without unanticipated cost shifts (e.g., not negative for BPA or customers), revisions to or a reapportionment of any Slice and Block product service they might have.

#### **G. Service to DSIs.**

EWEB agrees with BPA that BPA has no statutory obligation to serve the DSIs after 2006.

EWEB agrees with the Regional Council that “there may be an opportunity to provide a limited amount of power for a limited duration under specified terms and conditions” to the region’s Direct Service Industries (DSIs). EWEB further agrees that “(i)f power is to be made available to DSIs, the amount and term should be limited, the cost impact on other customers should be minimized, and Bonneville should retain rights to interrupt service for purposes of maintaining system stability and addressing temporary power supply inadequacies.”

EWEB respects the historical role of the DSIs in the region, and is sympathetic to efforts seeking to maintain jobs in the region. However, diversion of power or the provision of subsidies to the DSIs adversely affects industry and jobs of other customers as well. For example, Weyerhaeuser has demonstrated that its facilities in the Pacific Northwest have gone from having the cheapest electrical rates in the United States to among the most expensive, sharply weakening competitiveness of their facilities. BPA’s treatment of the DSIs should recognize that subsidies made in an effort to maintain DSI jobs may place even more jobs in jeopardy by increasing costs to other industries – particularly those that rely more heavily on raw materials indigenous to the Pacific Northwest, which, through the “multiplier effect,” may have an adverse impact on jobs many times more severe than those maintained through DSI subsidies.

With regard to minimizing cost impacts on other customers, service to the DSIs might impose costs on BPA’s other customers in one of two ways:

1. Direct costs incurred through the acquisition of power resources to serve DSI loads; or
2. “Opportunity costs” incurred through the sale of power available to BPA at below-market prices.

Under no circumstances should BPA acquire additional sources of power in order to serve potential DSI loads. Any service to the DSIs should come from BPA surplus power, if available, or from BPA secondary energy, if and when available.

Given the level of DSI purchases over the 2001-2004 time frame, EWEB agrees that any service from BPA to DSIs at below-market prices should be limited to no more than 500 aMW.

EWEB agrees that only DSIs who are creditworthy and have fully met their obligations under the Subscription contracts be eligible for service under this approach, and that any power purchased from BPA enable actual aluminum production and maintain Pacific Northwest jobs.

EWEB has strong concerns regarding the alternatives BPA has proposed for continuing service to the DSIs. First and foremost, a “known” and “capped” cost must be identified. Given the potential for adverse impacts on other industrial customers of publicly-owned utilities, EWEB proposes that BPA limit its cost exposure to no more than \$40 million per year, which is approximately a \$10/mwh subsidy at current market price levels. Once this maximum cost exposure has been identified, the merits of the alternatives BPA has proposed can be investigated as follows:

#### Financial Incentive to Operate

EWEB acknowledges the innovative thinking contained in this approach that attempts to limit credit and “take-or-pay” issues that have plagued BPA’s sales to DSIs in the past. However, this approach seems to limit a small but potential “up-side” to BPA providing direct sales to DSIs during low market price periods.

#### Continue Industrial Power (IP) Service:

EWEB agrees that direct sales to DSI customers should not continue without providing a known and capped cost. A potential alternative that combines the concept of continued service and utilization of surplus firm and secondary power is outlined below.

#### Surplus Firm Power:

EWEB agrees that the shape of BPA’s anticipated surplus power does not provide a good match to the relatively flat load of the DSIs. A potential alternative that combines the concept of continued service and utilization of surplus firm and secondary power is outlined below.

#### Credit Support for New DSI Generating Resources:

BPA should not provide credit support to DSIs. EWEB is concerned that the provision of credit support by BPA for DSI service may reduce BPA's borrowing authority by "scoring" against the federal debt, and that the provision of credit support sufficient to enable the construction of any new resource would entail BPA incurring financial exposure well beyond the anticipated "opportunity cost" of providing service to DSI customers directly.

#### "Other Ideas"

BPA states that it is interested in exploring other ideas to provide qualifying DSIs the benefits at a known or capped value that would be roughly no greater than if BPA had exercised its discretion to serve the DSI customers directly. The first step in any such exploration is to quantify the costs that BPA would be willing to incur had it exercised its discretion to serve the DSI customers directly.

EWEB believes this cost should be limited to the opportunity cost of BPA providing 500 aMW of secondary energy to eligible DSI customers at a rate equivalent to the PF rate, but only during timeframes when such secondary is available, and subject to an annual opportunity cost cap of \$40 million, as outlined above.

Of course, "secondary" and "firm" power concepts apply only on a planning basis – in actual operations power becomes "firm" or "interruptible" for the next scheduling hour. In this regard, the availability of "secondary" power could be projected monthly for the month that begins 60 days out, or the "month after the 'prompt' month." BPA could announce that a certain amount of secondary power (capped at 500 MW to be delivered in any one hour) is projected to be available, at which time eligible DSI customers would determine whether or not they wish to operate and declare that they wish to be served with a portion of available power. BPA would make every effort to provide the declared amounts out of its available secondary, but would not enter into supplementary purchases to firm such deliveries if actual hydrological conditions do not result in sufficient secondary power actually being available.

The cost incurred by BPA's other customers would be limited to the opportunity cost of BPA not making sales at market prices that are above the PF rate. Therefore, the cost to other customers would vary according to market prices. However, during periods when the opportunity cost of foregone revenues due to DSI sales are high, BPA's additional secondary sales revenues would generally be high as well, which would help to mitigate the opportunity loss to BPA's other customers.

## H. Service to New Large Single Loads.

EWEB provides electric service from non-BPA sources to one customer that is a New Large Single Load, and also provides service to one customer that holds Contracted For Committed To (CFCT) status. As such, EWEB has been keenly interested in BPA's NLSL policy, and has made expenditures and power supply decisions that rely on BPA maintaining the stated substance of these policies. We strongly urge that any proposed changes to BPA's NLSL policies be made through a separate and complete public process, culminating with well-documented formal revisions to BPA's existing NLSL Record of Decision.

EWEB strongly supports BPA's position that BPA power provided to a NLSL, whether it is a DSI or other type of customer, should be charged at the New Resources (NR) rate and not at the Priority Firm (PF) rate. To do otherwise would discriminate against NLSL customers who were previously told this option was not available.

EWEB does not object to including the exception language contained in Section 8(e) of the 1981 Power Sales Contract in a revised NLSL policy. However, any changes that BPA makes to its NLSL policy should apply to all NLSL customers, future and present. If BPA elects to allow service at the lowest PF rate for up to 9.9 aMW to NLSLs that meet the remaining portion of their load with on-site cogeneration or with renewable resources, this option should be made available to existing NLSL customers, even though their serving utilities may have elected an option previously to not take NLSL service from BPA. For example, EWEB should be given the option of obtaining 9.9 aMW from BPA at the lowest PF rate in addition to its existing "slice" and "block" amounts contracted for in the 2001 – 2011 BPA Slice/Block contract if the Hynix (previously Hyundai) NLSL elects service under this alternative.

If BPA does include this exception language in its NLSL policy, many practical issues must be resolved regarding renewable resources that would qualify for this NLSL exemption. The following illustrates issues that must be addressed in this regard:

- 1) Criteria that specify what resources qualify as "cogeneration" must be developed. For example, would a large combined-cycle combustion turbine with a small thermal host that uses less than 5% of the steam produced qualify as "cogeneration, along the lines outlined in PURPA? Or, following the approach used by the Oregon Energy Facilities Siting Council, must certain thermodynamic efficiencies or "fuel chargeable to power" ratios be met?

- 2) Criteria that specify what resource qualify as “renewable” need to be developed. For example, would the following resources or purchasing strategies qualify as “renewable:”
  - a. A new hydroelectric facility;
  - b. An existing hydroelectric facility that has not been declared to meet firm load in the Pacific Northwest;
  - c. An existing hydroelectric facility that has been dedicated to meeting the NLSL requirements on a planning basis;
  - d. Power that is generated from a renewable resource located outside of the region but imported into the region, such as that purchased by BPA from Foote Creek I and IV;
  - e. Geothermal power, which some argue is not truly “renewable;”
  - f. Market purchases that are accompanied by a matching amount of “green tag” or “renewable energy certificates,” such as are available through the Bonneville Environmental Foundation;
  - g. Thermal generation that is fueled by biomass fuel, such as wood-waste or “black liquor,” an organic by-product of the pulp & paper manufacturing process;
  - h. “Solar/thermal” resources that rely on non-renewable fuel sources to supplement generation output, which may lead to an apportionment of renewable / non-renewable generation.

EWEB recommends that “cogeneration” be defined according to the definition outlined by the Oregon Energy Facilities Siting Council, and that all of the preceding should qualify as “renewable” under the terms of the proposed revised NLSL policy.

#### **I. Service to Residential and Small Farm Consumers of IOUs.**

EWEB cautiously supports the BPA’s proposed approach regarding the Residential Exchange and service to the IOU’s and agrees that this support should be confined to financial benefits and not power. We note that the appropriate level and method for determining these benefits continues to be an area of substantial regional disagreement and ongoing litigation. We therefore reserve the right to modify our position and/or comment further as these and related matters move toward resolution.

#### **J. Conservation Resources.**

BPA's Policy Proposal document describes the large and valuable contribution BPA's programs have provided to the Region over the last two decades. BPA’s continued commitment to conservation investment is consistent with the direction of the Northwest Power Act and provides critical support of the entire regional



infrastructure of consumers and installers of energy efficiency products and services. Continued and expanding support of the energy efficiency infrastructure is a primary responsibility of BPA within the post-2006 BPA Power Supply Policy.

BPA's draft Policy Proposal outlines five principles to guide development of the specific actions to fulfill BPA role and responsibility in Conservation Resources.

- a. Use the Council plan to identify BPA's share of the Region's conservation goal. - This is appropriate and close coordination with Council staff will help confirm needed levels of activity and all of the cost-effective conservation potential. Care should be taken to identify and pursue all cost-effective conservation and not just the most cost-effective subset.
- b. The bulk of conservation is best pursued at the local level. - Since much of the most cost-effective conservation is actually implemented at the local level through close involvement with end consumers, relying upon local utilities and local implementation systems is wise. However, there are some activities that require a broader or regional approach. Market transformation activities are a good example and the Northwest Energy Efficiency Alliance (NEEA) is an excellent approach to this resource. Continued and expanded support of NEEA is recommended. In addition, BPA should consider that a regional approach to assist local implementation can help assure all of the cost-effective conservation is acquired. Specifically, local conditions may not always allow local conservation investment to appear cost-effective to the local implementer when in fact it is a regionally cost-effective investment. In these situations BPA can provide programmatic support that helps provide financial value to the local implementer that is reflective of the regional value and facilitate the acquisition of this cost-effective resource. Just because regionally cost-effective conservation does not appear to be locally cost-effective should not be justification for BPA to pass it by. Programs need to incent these cost-effective investments to the benefit of the region.
- c. BPA proposes to seek the lowest possible cost and lowest possible rate impact in the design of regional programs. - This approach is likely to greatly reduce the quantity of conservation resource acquired and ultimately significantly increase the need for expensive new generating resources. Concern for cost-effectiveness in program design and implementation is always appropriate. The need to reduce waste in implementation and to avoid non-effective technologies is real. But a single focused desire to drive down the BPA portion of the overall cost of conservation programs to levels well below the alternative cost of new resource is short sighted. The conservation resource that is not acquired when the cost-effectiveness cut off is set at an arbitrarily low figure is a resource that will ultimately need to be made up with new generation likely to cost much more. Cost-effective conservation has a regional marginal resource cost of about \$2.4 to \$2.2 million per aMW, not

unlike BPA's current cost for Conservation and Renewables Discount (C&RD) resources. The reported Conservation Augmentation (Con-Aug) price of \$1.3 million per aMW reflects only a portion of the actual costs and relies upon the local utility's financial situation and willingness to locally rate base the cost to gain this "false" economy. Where local utilities do not have the same marginal resource cost profile for conservation as the region or the whole of BPA's customers then the amount of conservation available at \$1.3 million will be less than the total of the cost effective conservation available. BPA must consider programs that will pay for and acquire these resources that are still cost-effective to the region. The approach suggested in the draft Policy Proposal is in fact a form of cream skimming that will increase the cost of conservation resources and reduce the amount that is available.

- d. BPA plans to continue funding local administrative costs. - It is appropriate for BPA to retain support of administrative costs for local implementation efforts and also appropriate to consider the appropriate levels of that support.
- e. Financial support of education, outreach, low-income weatherization is planned to be continued - Continuation of these conservation related efforts is important. While the direct conservation resource output of these activities is less than others, they provide essential support to all regional conservation activities and support universal acceptance of the conservation activities and improves the effectiveness of other programmatic activities.

## **K. Renewable Resources.**

EWEB supports the direction and emphasis expressed in BPA's draft policy on Renewables. EWEB also supports the funding mechanism and funding level assumptions in that draft policy.

In general, EWEB agrees that BPA should:

- Engage in "active and creative facilitation role with respect to renewable resource development";
- Continue efforts to reduce the barriers and costs that customers face in development and acquisition of renewables;
- Continue efforts to a) incorporate and utilize generation integration services, b) construct new transmission facilities and use existing transmission facilities efficiently, c) acquire output from renewables temporarily; and d) provide economic support up to net cost of \$15 million per year through firm power rates; and
- continue using C&RD funds to support renewables development.

We believe there is a growing market for renewables in the near future, particularly given that many utilities, including most of the publics, are looking for renewable generation sources.

**L. Controlling Costs and Consulting with BPA's Stockholders.**

EWEB agrees that it is important for BPA to renew and strengthen its role as a reliable business partner with its customers and to maintain the trust and confidence of the region's stakeholders. Actions to be taken in this regard must reach beyond stakeholders "providing input" on long-term cost control and revenue requirement issues. Before customers can be expected to sign long-term (20-year) contracts with no early termination provisions, BPA must provide its customers with an active decision-making role over major cost issues, and must provide meaningful dispute resolution provisions in its contracts.

**M. Federal System Allocation and New Power Sales Contracts**

EWEB strongly supports a timely allocation of the existing low-cost Federal Base System to the region's publicly owned utilities and qualifying public agency customers. We appreciate that BPA appears to concur with the general need for such an allocation well before expiration of current contracts in 2011. We support BPA's desire to address allocation and other related long-term issues in an expedited manner over the next twelve months, and expect to participate actively in this process. We plan to comment fully on the substance of these matters through our participation, and when the details and schedule for consideration of an allocation have been more fully developed and communicated by BPA.



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RD04-0128

SEP 27 2004

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General Manager:  
DENNIS P. ROBINSON

September 21, 2004

Bonneville Power Administration  
P.O. Box 14428  
Portland, OR 97239-4428

**Regional Dialogue Comments**

On behalf of Cowlitz PUD, I would like to express my appreciation for the opportunity to provide comments on BPA's "Regional Dialogue, Bonneville Power Administration's Policy Proposal for Power Supply Role for Fiscal Years 2007 – 2011." BPA is correct in its belief that customers need greater clarity about their Federal power supply in order to plan effectively and make investments as they may be needed to assure an economical power supply. We hope that the "Regional Dialogue" process will be of use to both BPA and its customers in this endeavor.

Before providing comments on specific issues in the proposal, I would like to address BPA's fundamental decision to bifurcate longer term, post 2011 issues from 2007–2011 issues. While the reasons for such separation are understandable, several of the 2007–2011 issues are linked to post 2011 considerations. I appreciate BPA's recognition of this through its incorporation of the long-term issues in section VIII. As a supporter of allocation of the Federal system, Cowlitz PUD's support for BPA's proposal found below is somewhat predicated on BPA's commitment to address the long-term issues in a manner, and on a schedule, described in the Regional Dialogue proposal.

Regarding specific issues raised by BPA:

- 2007–2011 Rights to the Lowest Cost PF Rate/Tiered Rates – Cowlitz PUD agrees with BPA's conclusion that current contracts guarantee a right to meet load placed on BPA at the lowest cost PF rate, and further agrees that tiered rates are not appropriate for the 2007–2011 rate period.
- Term of the Next Rate Period – Cowlitz PUD supports BPA's conclusion to not have a five-year rate period in 2007-2011. We are inclined to support a two-year/three-year approach.
- Service to Publics with Expiring Five-Year Contracts – Cowlitz PUD supports BPA's proposal to offer these customers amendments extending their five-year contracts and providing these customers with the lowest PF rate guarantee. It is assumed that the existing five-year contracts include the same provisions as the existing ten-year contracts, and therefore, the term extension will not perpetuate any "special deals."

- New Public Utilities/Annexed IOU Loads – Cowlitz PUD does not take a position on this issue at this time. We do believe that this issue will need resolution in the context of the allocation issue contained in the post 2011 process.
- Product Availability – Cowlitz PUD's support for BPA's position on this matter is predicated on BPA's commitment to the offering of new contracts on the schedule contained in section VIII. Given that, Cowlitz agrees that customers should not be able to switch to or from Slice contracts while the existing contracts are in force. However, Cowlitz PUD would not be opposed to BPA allowing a one-time election for a utility desiring to return from a Slice contract to a Requirements contract.
- DSI Service – Cowlitz PUD believes that BPA is not obligated to, and should not offer to provide continued firm power sales to the Direct Service Industrial Customers. The 2001 contracts provided service to the DSIs, thereby providing power beyond the term that was anticipated under the 1980 Regional Act and the 1981 contracts. Events surrounding the DSIs from 2001 to the present clearly demonstrate the error of the 2001 and subsequent decisions regarding these customers. While well-intended and sensitive to the needs of DSI-dependent jobs and communities, these decisions have not been able to meet their intentions. There is little evidence that the original objectives of the 2001 contracts could be met through continued service from 2007 - 2011.
- Service to New Large Single Loads - Cowlitz PUD requests that the NLSL proposal not be limited to DSI customers. Rather, we believe that this proposal should be available to any NLSL consumer of a distribution utility for the remainder of this contract. We take this position for three reasons. First, it provides a mechanism for a new customer to achieve an economic power supply at a time when the Region needs economic expansion and diversification. In fact, Cowlitz PUD is currently engaged in discussions with just such a customer. Second, it provides a valuable and effective stimulus for the development of cost effective renewable and co-generation resources. Third, we believe such a proposal can be reasonably construed as being both in accordance with existing contracts and with certain previous BPA actions with regard to NLSL's. We further request that the definition of "on-site co-generation" allow any co-generation which exists within the distribution utility's service territory. Cowlitz recognizes that this issue will require reexamination in the future.
- Service to IOUs – We concur with BPA's recommendation to limit the benefits to the IOU's residential and small farm customers to financial benefits rather than physical power.
- Conservation - Cowlitz PUD supports the continuation of the successful C&RD program, and applauds BPA for its efforts to further refine the program to minimize the cost of the acquired conservation resource. We concur with BPA that "the bulk of conservation to be achieved is best pursued and achieved at the local level." The C&RD and Con-Aug programs, coupled with administrative support by BPA of local utility implementation programs have, for the most part, accomplished this goal. Cowlitz also supports continued BPA support of low income weatherization programs at their recent historic levels.

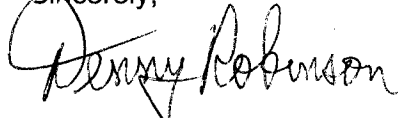
- Renewables – Cowlitz PUD supports BPA’s proposal to minimize BPA’s role as an acquirer of renewable resources and its move to be more of a facilitator of renewable resources. We believe that this approach will both minimize BPA’s revenue requirement and result in more, not less, renewable development. Cowlitz PUD sees itself as the first participant in BPA’s integration service, and we can attest to the importance of that product when we made our decision to participate in the Energy Northwest Nine Canyon project. We believe the continued existence of that program will be an important consideration in similar future decisions. Cowlitz staff is aware of circumstances where relatively minor, low cost transmission system investments will foster the development of wind projects, and encourages BPA to make such investments so long as those investments or projects are not contradictory to sound transmission system planning and development. Cowlitz supports the continued ability to utilize C&RD funds for renewable development. Finally, Cowlitz supports limiting BPA’s acquisition role. BPA’s acquisition of renewables should be made only when such acquisition can result in project development which would otherwise not occur, **and** be limited in duration. Cowlitz PUD could support BPA acquiring a portion of a resource with the understanding and commitment that such resource will be returned to specific utility customers over time as their loads grow into the resource. Cowlitz PUD does not support BPA acquiring significant renewable resources over a significant or undetermined period of time. As noted above, we believe that a NLSL should be allowed to couple 9.9 average megawatts of PF power provided the remainder of the load be met with new renewables or on-site co-generation.
- Cost Control – Cowlitz PUD appreciates BPA’s recently evidenced sensitivity to the need to obtain greater input on spending decisions which ultimately have rate impacts, and to do so much earlier in the process. While BPA’s preference to “focus on non-contractual means that promote transparency under BPA’s financial disclosure policy and allow for public input on agency costs and demonstrate management of those costs,” BPA should also understand that these current efforts are seen by customers as only a beginning, not the desired end state in our ability to assist BPA in cost control. The suggestions made by BPA, if properly implemented, have the potential to continue recent progress in these areas. Absent contractual obligation, BPA must demonstrate a commitment to implement these suggestions in a meaningful and consequential manner. The lack of such commitment will detract from our goal of reaching long term goals.
- Long Term Issues – Cowlitz PUD strongly supports BPA proposal to limit its sale of firm power to its customers’ firm loads at its embedded cost rates to the firm capability of the existing Federal system. The failure to adopt such a policy for the 2001 contracts is the primary reason BPA has been in the position it has found itself over these past several years. As indicated above, Cowlitz PUD’s support of the BPA’s various proposals for 2007 – 2011 is predicated on BPA’s commitment to address the long term issues in accordance with the schedule outlined on page 27 of the Regional Dialogue document. The Washington PUD Association has gone on record as supporting an allocation of the Federal System, and Cowlitz PUD wholeheartedly supports that position. The Public Power Council

has submitted an allocation proposal to BPA which reflects an uncharacteristic level of concurrence among BPA's public utility customers, and Cowlitz PUD hopes that BPA will give that proposal every due consideration. Cowlitz PUD supports allowing BPA utility customers to enter into these new long term contracts prior to the expiration of their existing contracts, should that customer so desire, while allowing customers to keep existing contracts should that be their preference.

Finally, it is critically important that BPA rates return to levels more like the pre-energy crisis levels we saw in 2000, and that they do so early in the 2007-2011 period. Decisions that we all made, with the best of intentions, as a result of the energy crisis have severely impacted the retail rates of the region's consumers. Public power's allocation proposal should allow BPA to avoid the major source of its high wholesale rates and provide a path to rates that will again be a key factor to an improved economy in the Northwest.

On behalf of Cowlitz PUD, I again express our appreciation to BPA for seeking input on these important issues and for your consideration of our views.

Sincerely,

A handwritten signature in black ink that reads "Dennis P. Robinson". The signature is written in a cursive style with a large, looping initial "D".

Dennis P. Robinson  
General Manger

## **Comments of the Natural Resources Defense Council on the Bonneville Power Administration's Regional Dialogue Proposal**

September 22, 2004

The Natural Resources Defense Council (NRDC) appreciates the opportunity to comment on the Bonneville Power Administration's July 7, 2004 Regional Dialogue Proposal. We strongly support BPA's effort to address both the issues that must be resolved for FY 2007-2011 in a manner consistent with BPA's long-term responsibilities and strategic goals, and to address and resolve the critical longer-term issues now instead of waiting for 2011. Our comments focus on both of these efforts.

NRDC is a nonprofit, environmental organization representing more than 46,000 members in the Pacific Northwest in the advocacy of energy efficiency, renewables and other cost-effective and sustainable energy services that a healthy economy needs. NRDC has submitted numerous oral and written comments throughout the Regional Dialogue process, either individually, or jointly with the NW Energy Coalition (NVEC) and Renewable Northwest Project (RNP). Events since our joint "Public Interest Proposal" was submitted in September 2002, have only strengthened the relevance of those recommendations and our subsequent comments. We do not repeat those comments here, but include them by reference and encourage BPA to consider them in its review.

BPA's strategic direction calls for the agency to advance the Pacific Northwest's future leadership in four core values – high reliability, low rates consistent with sound business principles, responsible environmental stewardship, and clear accountability to the region. Regional environmental stewardship obligations require the development of all cost-effective conservation and sufficient renewable resources necessary to ensure an adequate, efficient, economic and reliable power system for the region. The effectiveness of any future design in adequately addressing regional responsibilities for conservation and renewables, hinges in great part on BPA's ability to demonstrate that the regional obligation for these system benefits will be fulfilled.

NRDC remains unconvinced that BPA's proposal to relinquish its acquisition role, as substantially as is proposed, is a good idea. In fact, BPA will still have the statutory obligation to serve, and to meet environmental stewardship obligations. Before



BPA formally adopts such a direction, it must ensure that clear resource adequacy standards are adopted and clear compliance responsibility is assigned. In addition, it must ensure that cost-effective conservation and renewable resources are part of those standards and that this same clear responsibility is established for meeting those obligations.

### **Resource Adequacy**

The obligation to serve generally involves the obligation to provide reliable service at total least cost. BPA has a statutory obligation to serve its customers. Providing adequate resources at total least cost necessarily includes conservation and renewable resources.

One of the lessons learned that BPA notes in its April 18, 2003 Report to the Region is that BPA must avoid the need to acquire large amounts of power on short notice to meet demand. NRDC strongly agrees with this conclusion. Unfortunately, because it still retains the statutory obligation to serve, that is exactly where BPA will end up again if it relinquishes its acquisition role without clear resource adequacy standards and responsibility for meeting them in place. NRDC shares NWECC's concern that significantly limiting BPA's future role in developing new resources throws into serious question whether and how the region's resource adequacy and stewardship responsibility will be met.

The BPA Proposal makes a great deal of assumptions regarding the benefits of limiting BPA's load service obligation. For example, it is assumed that by giving up its acquisition role, the necessary infrastructure will be developed, more efficient decision-making about conservation investments and new resources will be made, and that this will relieve BPA from the risk of having to buy large amounts of power on short notice to meet demand. The Proposal does note that limiting BPA's acquisition role is only one step and not enough to accomplish these goals; however, none of these goals will be accomplished without clear resource adequacy standards and enforceable responsibility for meeting them. NRDC supports the NWECC comments regarding the lack of environmental analysis relating to these questions in the Business Plan EIS.

## **Conservation**

BPA should be applauded for its strategic direction on conservation, which is “[d]evelopment of all cost-effective energy efficiency to meet BPA loads,...and adoption of cost-effective non-construction alternatives to transmission expansion.” NRDC generally supports the principles articulated in the Proposal to guide development of the significant details necessary to ensure this goal is reached. However, we believe that additional principles should be included in this guidance. These additional principles address uncertainty over calculation of future allocations, support for low income conservation programs, valuation of investment results in levelized cost terms, and ensuring regional goals can be met. NRDC endorses the comments of NWECC regarding conservation, which summarize these principles in further detail. NRDC supports the working group process recently established by BPA to address the conservation design details and looks forward to providing input.

## **Renewables**

NRDC supports RNP’s comments on renewables. We recommend that BPA pursue, at a minimum, all of the facilitation options discussed in the proposal, but believe that to limit its acquisition role for renewables as much as is proposed would be a mistake – especially given the concerns expressed above in the resource adequacy section. NRDC is concerned that the commitment to facilitation of new renewables in the proposal is not backed up with sufficient details to ensure that BPA’s and the region’s goals will be met. We recommend that a working group, similar to the one just established for conservation, be set up to resolve the significant details necessary to accomplish those details.

## **Long-Term Issues and Process**

BPA proposes to resolve all of the remaining long-term policy issues in the new 20-year contract process, with the guidance of a policy “blueprint.” BPA’s stated goal in the development of the blueprint is to be informed by the broadest possible regional agreement and engage very actively with customers, other stakeholders and the Council to achieve that agreement. NRDC strongly supports this approach, and the proposed

timeline, although it is unclear what the process will look like between now and July 2005. There are many ways in which BPA could structure the discussions. NRDC encourages BPA to ensure two things in the process design. First, BPA should involve both customers and other stakeholders in the discussions together. This will increase the potential for consensus among parties. Second, discussion and resolution of the conservation and renewables issues should not be left until last, but should be explicitly included in the consideration of resource adequacy and allocation issues.

NRDC remains committed to working with BPA, its customers, and the other stakeholders to design an energy future that is beneficial to the region's economy and environment through this process. Thank you for your consideration of our comments.

Sincerely,

Sheryl Carter

Director, Western Energy Programs

LANDYE BENNETT  
BLUMSTEIN LLP  
ATTORNEYS

J.D. WILLIAMS  
jwilliams@landye-bennett.com  
Admitted in Oregon and Washington

R004-0130  
SEP 27 2004

September 24, 2004

**BY FACSIMILE: 503.230.3613**

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

Re: **PBL's Regional Dialogue**

Dear Mr. Wright:

I am writing on behalf of the Confederated Tribes of the Umatilla Indian Reservation to offer comments on PBL's Regional Dialogue on BPA's role in future power supplies for the region. The Umatilla Tribes have the following concerns and recommendations:

1. **Service to New Publics & Tiered Rates**

The current proposal for service to new publics is not adequate to address developing tribal public utilities. As you know, for decades tribes have lacked the resources to fully realize the goals and promise of the Northwest Power Act to spread the benefits of federal power to the public, especially in rural areas where most tribes are located.

Just as a number of tribes are finally developing the financing and expertise to establish public utilities, the door will be slammed shut. The deadline of June 2005 is simply too short and will effectively penalize the tribes as they struggle to develop their own public utilities.

**The Tribes recommend that BPA set the deadline for new publics at least two more years out, i.e. June 2007.**

As importantly, the Tribes want to make sure that a realistic amount of megawatts are set aside for new publics. Current tribal proposals for developing new utilities in our region could easily amount to over 25 megawatts.

Finally, the Tribes are concerned that tiered rates will also work against new publics like tribal utilities. If a tribe is able to establish a limited tribal utility within the threshold, but later expands to cover more of its reservation, it will be penalized under the proposal to tier rates.

2. **Salmon Protection & Restoration**

In 1999 and 2000, during the subscription process and the last rate case, the tribes and others raised serious concerns about the risks involved in BPA agreeing to serve 3,300 megawatts of load above existing resources. According to BPA, this decision cost it \$3.9 billion during the

Document2



LANDYE BENNETT  
BLUMSTEIN LLP  
ATTORNEYS

Steve Wright  
September 24, 2004  
Page 2

---

current rate period.

The tribes were concerned that these and other higher costs would force BPA to reduce protections for our Treaty protected resources in order to avoid deferring repayment to the U.S. Treasury. Despite BPA's earlier commitments to fully implement its fish and wildlife obligations and adjust rates as necessary, BPA eliminated important fish and wildlife protections in the summer of 2001. Our Tribes are still feeling the impact of that decision. This year, BPA proposed to further reduce protection of our Treaty resources by eliminating spills at a number of dams to save money.

As a result, you can understand the Tribes' concern that the Regional Dialogue proposal does not reference BPA's obligations under Federal laws and Treaties to rebuild fish and wildlife populations. Nor does the proposal address how it will provide equitable treatment for fish and wildlife as required under the Northwest Power Act.

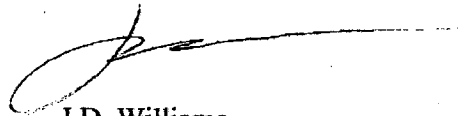
**The Tribes recommend that the proposal address rebuilding fish and wildlife populations, assuring full implementation of the FCRPS Biological Opinion and the Council's Columbia River Basin Fish and Wildlife Program, providing equitable treatment for fish and wildlife, and meeting other obligations under federal laws and treaties with Indian tribes.**

3. Conservation & Renewables

The Tribes echo the concerns of others raised about BPA's investment in conservation and renewables. The Tribes encourage BPA to take more proactive steps in investing in cost effective conservation strategies to stretch the region's power supplies in a manner that is fish-friendly. In addition, the Tribes encourage BPA to take a more proactive role in encouraging wind development in the region including creating a role for BPA to provide financial assistance.

The Umatilla Tribes appreciate your attention to their concerns and look forward to working with BPA on these matters.

Very truly yours,



J.D. Williams

cc: Antone Minthorn, Chair, Board of Trustees  
Don Sampson, Executive Director

Document2





Confederated Tribes and Bands  
of the Yakama Nation

Established by the  
Treaty of June 9, 1855

*R004-0131*

SEP 27 2004

September 22, 2004

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

Regarding; Regional Dialogue

Dear Mr. Wright:

I am writing on behalf of the Yakama Nation to provide comments on Bonneville Power Administration's Policy Proposal for Power Supply Role for Fiscal Years 2007-2011 dated July 7, 2004.

This issue is extremely important to the Yakama Nation. In 1999 and 2000, during the subscription process and the last rate case, we raised serious concerns that BPA was taking on significant risks and costs when it agreed to serve 3,300 megawatts of load over and above its existing resources. According to BPA's own reports, this decision cost your agency \$3.9 billion during the current rate period.

We were concerned that these and other higher costs would force BPA to either defer repayment to the U.S. Treasury or reduce protections for our Treaty protected resources. BPA committed to the Columbia Basin tribes that it would fully implement its fish and wildlife obligations and could adjust rates if necessary. BPA has not kept those commitments. BPA eliminated important fish and wildlife protections in the summer of 2001; our Tribe is still feeling the impact of that decision. BPA has abandoned the range of fish and wildlife costs that you committed to and unilaterally imposed a cap on funding that is not adequate to fully implement the FCRPS Biological Opinion or the Council's Columbia Basin Fish and Wildlife Program. This year, BPA proposed to further reduce protection of our Treaty resources by eliminating spills at a number of dams to save money.

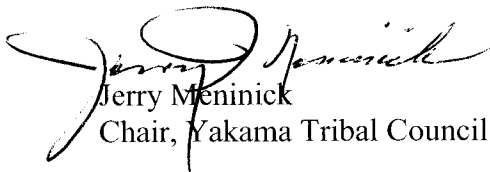
Given this history, we were disturbed that the Strategic Directions in your proposal make no reference to fulfilling BPA's obligations under Federal laws and Treaties to rebuild fish and wildlife populations. The policy also does not address how BPA will provide equitable treatment for fish and wildlife as required under the Northwest Power Act. These are glaring omissions that should be corrected in the final policy. We would like to work with you to address these very important issues.

We also have concerns that BPA's policy will expose your agency to future risks as you try to meet all of your customers' needs. The policy asserts that BPA will not commit to sell more power than it has available; however, the specifics of the proposal raise questions about whether this will be the case. If BPA's electricity costs remain significantly below the cost of market-based electricity, what assurance does BPA have that it will not be required to serve additional demands? What assurances does BPA have that utilities will independently develop their own resources to meet growing needs? How can BPA serve DSI loads without increasing your costs?

We are also interested in your proposed process to address tiered rates. We would like to work with you to address important transition issues for our new tribal utility, Yakama Power, to ensure that our entire reservation will be served by BPA's PF rates.

We have attached detailed comments on several parts of your proposal. We would be happy to discuss these issues in more detail.

Sincerely,



Jerry Meninick  
Chair, Yakama Tribal Council

## **Yakama Nation Comments on Bonneville Power Administration's Policy Proposal for Power Supply Role for Fiscal Years 2007-2011**

The Yakama Nation has reviewed the proposed policy on BPA's role in future power supply. The Yakama Nation looks forward to working with BPA on these issues.

### **Strategic Direction**

BPA lists the strategic direction that guided the policy. Unfortunately, several important considerations were not included as factors that guided the proposal. The proposal should address: rebuilding fish and wildlife populations, assuring full implementation of the FCRPS Biological Opinion and the Council's Columbia River Basin Fish and Wildlife Program, providing equitable treatment for fish and wildlife, and meeting other obligations under federal laws and treaties with Indian tribes. These important issues should be addressed in the final policy.

This issue is important given the recent history of BPA. The agency overcommitted the amount it would sell to utilities by 3,300 average megawatts; increasing BPA's costs by \$3.9 billion over the current rate period. These commitments in addition to other costs significantly weakened BPA's financial condition and caused significant damage to fish and wildlife restoration efforts.

In 1999 and 2000, during the subscription process and the last rate case, we raised serious concerns that BPA was taking on significant risks and costs. We were concerned that these higher costs would force BPA to either defer repayment to the U.S. Treasury or reduce protections for our Treaty-protected resources. BPA committed to the Columbia Basin tribes that it would fully implement its fish and wildlife obligations and could adjust rates if necessary. BPA has not kept those commitments. BPA eliminated important fish and wildlife protections in the summer of 2001; our Tribe is still feeling the impact of that decision. BPA has abandoned the range of fish and wildlife costs that you committed to and unilaterally imposed a cap on funding that is not adequate to fully implement the FCRPS Biological Opinion or the Council's Columbia Basin Fish and Wildlife Program. This year, BPA proposed to further reduce protection of our Treaty resources by eliminating spills at a number of dams to save money.

BPA needs to learn from these mistakes. A strong commitment to rebuilding fish and wildlife populations and fully meeting BPA's obligations under Federal laws and treaties must guide future decisions about power supplies.

### **Loads and Resources**

BPA asserts that it will not sell more electricity than it has. Unfortunately, BPA does not provide details about the assumptions used for loads from its various customer classes; therefore it is difficult to know what assumptions BPA has used about serving additional demands from its customers. BPA also does not compare its projected future power costs with projections of future market-based rates. We assume that BPA rates will continue to be significantly below market rates; it is not clear how this was factored into the analysis.

BPA also states that it will have a firm power deficit of 15 average megawatts beginning in FY 2007 and growing to about 190 average megawatts in FY 2011. While 190 megawatts is not a



large deficit compared to BPA's resources, serving such a deficit at today's market prices would add about \$65 million per year to BPA's costs.

### **BPA Obligation to Serve**

The policy states that BPA is obligated to serve customers' net requirements, even if that request is in excess of what the existing Federal system can supply. There are problems with this statement. First, Section 5(b)(1) only applies to public utilities, cooperatives, and investor-owned utilities. BPA is not required to offer new below-market contracts to the direct service industries.

Second, Section 5(b)(5) allows BPA to restrict contractual obligations in the future:

*The Administrator shall include in contracts executed in accordance with this subsection provisions that enable the Administrator to restrict his contractual obligations to meet the loads referred to in this subsection in the future if the Administrator determines, after a reasonable period of experience under this Act, that the Administrator cannot be assured on a planning basis of acquiring sufficient resources to meet such loads during a specified period of insufficiency. Any such contract with a public body, cooperative, or Federal agency shall specify a reasonable minimum period between a notice of restriction and the earliest date such restriction may be imposed.*

### **Tiered Rates**

It appears that BPA has deferred decisions on tiered rates until a subsequent process. It will be important to address transition issues for new public utilities. For example, Yakama Power expects to begin service in 2005. Our tribal utility is working diligently to meet BPA's standards of service requirements prior to the deadline in the policy so we can ensure access to BPA's lowest PF rate.

We plan to begin with a relatively small share of the load that we had forecast in our contract and plan a phased approach to increase our load as we expand our system. We want to discuss a transition policy that will ensure that we have access to embedded cost rates to serve our entire reservation. We also want to ensure that the load on our reservation that is added in future phases is not subject to the annexed load provisions.

**CITY OF SUMAS**

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PHONE (360) 988-5711  
FAX (360) 988-8855  
EMAIL [sumas@gte.net](mailto:sumas@gte.net)

RO04-0132  
SEP 29 2004

MAYOR – ROBERT “BOB” BROMLEY

CLERK-TREASURER – KATHRYN HARVEY

September 20, 2004

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

Re: Regional Dialogue Proposal

Dear Mr. Norman:

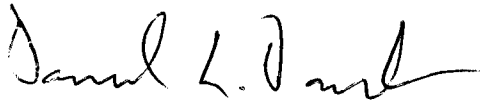
This letter contains comments from the City of Sumas, Washington, on BPA's *Regional Dialogue* proposal dated 7 July 2004. Sumas is a full requirements customer located on the Canadian border, just northeast of Bellingham. Sumas is a small load and is served by GTA over Puget Sound Energy's 115 kV system.

1. We support the proposal to not implement tiered rates in the 2007 rate case. The imbalance between load and resource through 2011 is not large enough to warrant the use of tiering.
2. We favor a three-year rate period extending from October 1, 2006, through September 30, 2009. We understand that this might result in rates slightly higher than what might apply during a shorter rate period. We believe that, given the close balance between load and resource, and the resolution of many issues that have led to rate volatility (e.g., DSI “buy-back” contracts, IOU settlement), there is little to be gained from frequent rate changes. Resuming a practice of changing rates less frequently causes less administrative burden both for BPA and for Sumas.
3. We agree with BPA's proposal regarding service to publics with expiring 5-year purchase commitments. We believe it would be unfair to penalize those customers for decisions they made four years ago, during a time of great uncertainty and volatility.
4. We agree with BPA's proposal regarding service to new publics. If the new public can meet criteria by June, 2005, so that its load can be considered during the 2007 rate case, the new public should be entitled to the lowest PF rate.
5. We believe strongly that there should be no change in the number of Slice customers or the Slice percentage sold in 2007.
6. We believe that the viability of the northwest DSIs is affected not by access to BPA low-cost power, but by global factors beyond the control of our region. We therefore do not support any form of BPA support to the DSIs. If, however, a decision is reached to provide some form of support, we believe that BPA's preferred alternative of provision of a financial incentive to operate makes the most sense in terms of resulting in an actual economic benefit to the region.

7. We disagree with the proposed schedule for long-term issue resolution. The proposed schedule is too ambitious. Attempting to establish a long-term policy by January 2006 does not seem realistic or necessary. A schedule that adds another year to the process is preferable to Sumas, and still leaves time for customers to make decisions regarding alternate power sources prior to 2011.
8. We are aware that various methods for allocation of BPA's resource are already being floated around, including a proposal from the Public Power Council. Although Sumas is a member of the PPC, we have not yet seen the proposal, and we have not been able to participate in development of the proposal. From what we know, we are not in agreement with the PPC proposal. As mentioned in comment (7) above, we urge that things slow down a bit. We need time in the region to work through allocation and tiering issues in an equitable way.

Thank you for the opportunity to comment on these important issues.

Sincerely,

A handwritten signature in black ink, appearing to read "David L. Davidson". The signature is fluid and cursive, with a long horizontal stroke at the end.

David L. Davidson  
City Administrator

Cc: George Reich, BPA Account Executive

RD04-0133  
SEP 29 2004

PACIFIC NORTHWEST STATE UTILITY COMMISSIONERS



Idaho  
Public Utilities  
Commission



Montana  
Public Service  
Commission



Oregon  
Public Utility  
Commission



Washington  
Utilities and Transportation  
Commission

Bonneville Power Administration  
PO Box 14428  
Portland, OR 97293 - 4428

**RE: BPA's Policy Proposal For Power Supply Role for Fiscal Years 2007 - 2011**

The utility regulatory commissions of Idaho, Oregon, Montana, and Washington ("State Commissions") appreciate the opportunity to comment on BPA's Policy Proposal for Power Supply. Attached are our comments on BPA's July 7, 2004 proposal. We look forward to working constructively with BPA to ensure that the benefits of the federal power system are preserved and continue to be widely and equitably distributed throughout the Pacific Northwest (PNW).

Thank you for your consideration of our comments on the proposal.

Sincerely,

Pacific Northwest Public Utility Commissioners

September 20, 2004

**OREGON PUBLIC UTILITY  
COMMISSION**




---

Lee Beyer, Chairman



---

Ray Baum, Commissioner



---

John Savage, Commissioner

**IDAHO PUBLIC UTILITIES  
COMMISSION**



---

PAUL KJELLANDER, PRESIDENT

---

MARSHA H. SMITH, COMMISSIONER

---

DENNIS S. HANSEN, COMMISSIONER

**WASHINGTON UTILITIES AND TRANSPORTATION  
COMMISSION**



---

Marilyn Showalter, Chairwoman



---

Richard Hemstad, Commissioner



---

Patrick J. Oshie, Commissioner

September 20, 2004


RE: BPA's July 7, 2004 Policy Proposal for Power Supply Role for Fiscal Years 2007 - 2011

The Montana Public Service Commission endorses the September 20, 2004 letter to BPA from the four Northwest public utility commissions.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

  
BOB ROWE, Chairman

  
THOMAS J. SCHNEIDER, Vice Chairman

  
MATT BRAINARD, Commissioner

  
GREG JERGSON, Commissioner

  
JAY STOVALL, Commissioner

ATTEST:

  
Connie Jones  
Commission Secretary

(SEAL)

## **COMMENTS OF THE FOUR STATE UTILITY COMMISSIONS**

### **Tiered Rates-Page 7**

The policy proposal recommends not implementing Tiered Rates for the 2007 to 2011 time-period. BPA projects that its annual generating capability will be roughly in balance with loads placed on it during that five-year period. BPA proposes to explore tiered rates as part of an examination of BPA's long-term role and obligations subsequent to addressing rates and issues that affect the 2007 to 2011 period. The State Commissions support this recommendation. We understand that, at this point, the region does not have a unified view as to how Tiered Rates should be implemented or what factors affect whether Tiered Rates can be implemented under BPA's current statutes. Given that the topic of Tiered Rates is likely to be complex and controversial, and given that BPA's projections indicate its loads and resources will be close to balanced through 2011, we do not believe it is practical or necessary to implement Tiered Rates in the near-term (i.e., the 2007-2011 period). Nonetheless, Tiered Rates are likely to be an important tool in the longer term to achieve clarity about the division of load obligation between BPA and its customers.

### **Term of Rate Period-Page 8**

It will be difficult to achieve a long-term resolution of BPA's role and execution of twenty-year contracts. To date, while many in the region have worked hard to reach consensus, these efforts have proved to be unsuccessful. We agree with BPA's assessment that a two-year rate period will tax the resources of customers by compressing the time available to resolve issues and develop new contracts. In addition, we agree with other commentators that synchronizing the contract negotiations and rate periods for power sales and transmission service would be beneficial. Our common objective should be a process that provides the greatest opportunity to achieve success. Therefore we support using a three-year rate period.

### **Treatment of Annexed IOU Loads--Page 11**

We urge BPA to treat annexed IOU loads consistent with BPA's contracts with the investor-owned utilities.

## COMMENTS OF THE FOUR STATE UTILITY COMMISSIONS

### Treatment of DSIs—Page 15

BPA proposes that any benefits provided to the Direct Service Industries (DSIs) after 2006 be limited and fixed such that the cost to other BPA customers is known or capped. We support those guidelines. We do not have any specific recommendation regarding treatment of the DSIs at this time.

### Default if IOU contracts deemed invalid—Page 18

BPA notes that if the courts set aside the new investor-owned utilities' contracts while also leaving the underlying Subscription contracts in place, BPA intends to provide benefits during the 2007 – 2011 time period in the form of financial benefits. ***We do not support this proposal.*** BPA's April 2000, Subscription ROD, page 10, states that BPA, "intends for this 2200 aMW to be comprised solely of power deliveries." One of the benefits to the public agencies of BPA reaching a settlement with the investor-owned utilities for the 2007 – 2011 time period is the certainty that all benefits to the residential and small-farm consumers of the investor-owned utilities would be in the form of cash. The State Commissions also saw this feature of the settlement as a *quid pro quo* for achieving certainty and fairness in the determination of benefits.

If the contracts between BPA and the IOUs are invalidated, we encourage BPA to reconsider its position and retain its commitment as expressed in the Subscription ROD. At a minimum, if the contracts between BPA and the IOUs are invalidated, BPA should obtain each of the investor-owned utility preferences for power or cash and, in good faith, work to fulfill those requests. Reaching such resolution would serve BPA's objective of clarifying its power or financial obligations to the customers of the investor-owned utilities as effectively as its proposal and do so with a greater chance of political sustainability.

Finally, with respect to distribution of power or financial benefits to the residential and small-farm customers of the investor-owned utilities, we note that the existing contracts and settlement documents do not address the period after 2011. Consequently, those contracts and settlements do not establish any binding precedent for how BPA's obligations to these



## **COMMENTS OF THE FOUR STATE UTILITY COMMISSIONS**

customers should be fulfilled over the long term. This will be an important issue to resolve in the long-term policy development BPA describes on page 24 of the draft.

### **Conservation Resources—Page 19**

We support the Conservation and Renewables Discount (C&RD) program as a proven and effective mechanism for fostering greater investment in cost-effective DSM measures. Consequently, we support BPA retaining the program. Other methods should also be explored, such as the BPA conservation augmentation and the Northwest Energy Efficiency Alliance. We also support regional collaborative efforts to achieve conservation acquisition goals as established by the Northwest Power and Conservation Council.

### **Should BPA cost levels be a rate case issue?—Pages 22 -24**

Typically in rate cases, BPA does not entertain detailed examination of its cost levels and programs. This stands in contrast to the rate proceedings we decide where utility costs and operations are usually the key focus of the contested cases. We encourage BPA to allow its projected costs to be an issue in its rate proceedings. We believe this would allow for greater review and rigor in the review of BPA's costs and a greater sense across the region in the legitimacy of the final rates.

### **Proposed Long-Term Policy—Page 24**

We agree that BPA should limit its sales of firm power to its PNW customers at embedded costs to a level consistent with the capability of the existing Federal Power System. As previously noted, we believe that the implementation of Tiered Rates is one mechanism for achieving this in the long term. However, as we note above, there may not be regional agreement on the implementation of such rates. Thus, we assert again that BPA should seek to gain regional consensus on a methodology for addressing the cost of new or growing loads that exceed the capability of the Federal Power System. We believe this to be a key piece of the regional dialogue proposal and commit our best efforts to work with BPA and the region to achieve a stable long-term policy.



## COEUR D'ALENE TRIBE

850 A STREET  
P.O. BOX 408  
PLUMMER, IDAHO 83851  
(208) 686-1800 • Fax (208) 686-1182

REFERENCE:

RD04-0134  
SEP 29 2004

September 22, 2004

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

Dear Mr. Wright:

Discussions between the Bonneville Power Administration and Tribes within the basin of the Columbia River Basin rightfully should be based upon the government to government relationship that has existed since the founding of the United States. The Coeur d'Alene Tribe has a concern that this principle is not recognized or acknowledged by the Bonneville Power Administration inasmuch as the tenor of the Regional Dialogue reflects the concerns and the input of customers and constituents while grouping the tribes with stakeholders.

Secondly, the Tribe has a concern, discerned from the language of the document itself, which informs us that entities other than the tribes had a great deal of time to discuss the Regional Dialogue. This document was issued for "public comment" July 7, 2004 with a deadline of September 22, 2004.

The Coeur d'Alene Tribe seeks explicit assurances from BPA that the Fish and Wildlife Budget will be maintained and remain insulated from pressures including Treasury payments. Factors and pressures totally unrelated to the Fish and Wildlife budget should not necessitate emasculation of the interests of tribes who rely upon that budget.

Finally, BPA should explicitly make a commitment to the tribes that in the future that natural resources will not be degraded for business advantages on the part of the BPA through such practices as selling power outside of the Northwest.

Sincerely,

A handwritten signature in black ink, appearing to read "Alfred M. Nomee".

Alfred M. Nomee, Director  
Coeur d'Alene Department of Natural Resources

1529 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515  
(202) 225-2806

**RICK LARSEN**  
2ND DISTRICT, WASHINGTON

COMMITTEES:  
TRANSPORTATION  
AND INFRASTRUCTURE

DISTRICT OFFICE:  
104 WEST MAGNOLIA, SUITE 303  
BELLINGHAM, WA 98226  
(360) 733-4500

**Congress of the United States**  
**House of Representatives**  
Washington, DC 20515-4702

RD04-0135  
SEP 29 2004 AGRICULTURE  
ARMED SERVICES

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E-Mail: Rick.Larsen@mail.house.gov  
http://www.house.gov/larsen

September 28, 2004

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 04-0184
RECEIPT DATE: 9.28.04
DUE DATE: 10.12.04

Stephen J. Wright  
Administrator  
Bonneville Power Administration  
905 NE 11th Avenue  
P.O. Box 3621  
Portland, OR 97232

Dear Steve:

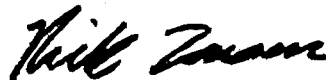
It was good meeting with you last week. As we discussed, as BPA decides its future role in the Northwest energy realm it will have to make difficult decisions on allocation, load and price. As you know, these issues won't be addressed until 2005-2008; however decisions still have to be made in the short term for customers whose contracts expire in 2006. It is only fair that these customers be provided with the opportunity to continue to do business during that period so that they can remain a part of the long-term dialogue on the future of BPA.

I believe that it is only fair to allow Alcoa continued access to cost-based federal power in the post-2006 period. This way they can remain a vital contributor to the Northwest economy as they engage in the "Future of BPA" long term discussions. In this light, I request that you extend Alcoa's contract through the next rate period for the same load of 438 MW that it currently purchases at the cost based rate.

We need to recognize Alcoa's long-standing commitment to the region and fashion an equitable sharing of federal benefits that allow it to remain a competitive Northwest manufacturer. To that end, I intend to continue this dialogue with you, your staff and the Alcoa people until this issue is resolved.

Thank you for your support.

Sincerely,



Rick Larsen  
Member of Congress

ASSIGN: DR-7C  
cc: FO3, DC/Wash, L-7, P-6,  
PT-5 Mark Miller-PT-5, Sally Long-TM-OPP2

