

PUBLIC UTILITY DISTRICT No.1

of Whatcom County

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R004-0136

SEP 30 2004

September 30, 2004

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

RE: BPA's Regional Dialog Policy Proposal

Dear Mr. Norman:

As general manager of Public Utility District No.1 of Whatcom County (Whatcom PUD), I appreciate the opportunity to provide comments on the Bonneville Power Administration's Regional Dialog Policy Proposal. Whatcom PUD generally supports the major elements of the Proposal.

Two caveats to this support are (1) Aggressive cost control by BPA is essential for assuring that a fixed allocation of the existing FBS has real benefit for BPA's public utility customers over the long term and for gaining the broad regional support needed to achieve this evolution in BPA's regional power supply role. (2) The impact of BPA's Proposal on the Region's small full requirements utilities must be carefully analyzed to avoid implementing policy that negatively impacts this subset of BPA's customers. As one of those small utilities, Whatcom is very concerned how full requirements customers are going to get reasonably priced services in this proposed new future.

Following are specific comments on some of the Proposal elements.

Term of the Next Rate Period

Whatcom PUD supports reducing the length of the rate period and going with a two-year period first makes sense to us.

Service to Publics with Expiring Five-Year Purchase Commitments

As a public agency customer holding a five-year Subscription contract with no lowest-PF rate guarantee, Whatcom PUD appreciates and supports BPA's proposal for making these contracts consistent with the ten-year Subscription agreements post-2006. Such a move helps

assure broad regional support among the publics for BPA's Proposal. Whatcom PUD is prepared to move forward with this extension, when it becomes available.

Controlling Costs and Consulting with BPA's Stakeholders

Whatcom PUD applauds BPA's recent efforts through the Customer Collaborative process and Sounding Board to identify areas where Agency expenses could be reduced and for taking actions to achieve such cost cutting. Continuing such close collaboration with customers is to be encouraged.

However, if twenty-year allocation contracts are to be offered and accepted, mechanisms to enforce cost control, beyond mere collaboration, must be implemented. The ability of customers to arbitrate BPA budget decisions and the benchmarking of BPA expense categories in-line with other utilities are but two of the cost management tools BPA should accept and implement.

Fixed Allocation of the FBS Under Long Term Contracts

Whatcom PUD can support allocating existing FBS resources, as a means to wall-off new resource acquisition costs from the FBS and to help protect the Region from outside political interference. However, the devil is in the details and Whatcom PUD can not support any allocation methodology that creates significant winners and losers. "Fairness" should be the guiding principle in arriving at a methodology for determining net requirements and the follow-on allocation. Some look at historical load seems to us to be important.

Whatcom PUD believes that the flexibility afforded utilities with significant non-federal resources must be carefully considered in arriving at a "fair" net requirements determination.

Conservation & Renewables Expenditures

Whatcom PUD supports the continued offering of the C&R Discount, as a means of motivating its public utility customers to invest in cost-effective conservation locally and to fund renewable resource projects. However, the PUD does not believe that a significant ramp-up in BPA's funding levels is warranted.

With regard to BPA's support of renewables beyond the C&R Discount, Whatcom PUD believes that a key role for BPA is to support renewables through its resource integration policy and the offering of firming products.

Future of DSI's

As a public with a large DSI in our county, I am wondering if there aren't some creative ways that BPA could assign these loads to the local public utility. This would get BPA out of dealing with local area political issues. Further, if there are local reasons to make special deals to maintain local jobs, then that should be a local matter and not a regional concern.

In conclusion, Whatcom PUD is very supportive of the Bonneville Power Administration's renewed efforts to be responsive to its public utility customers' needs. Evidence of this responsiveness is BPA's recent announcement, regarding the level of FY 2005 power rates. Whatcom PUD encourages BPA to maintain this focus on customer needs, during the process of refining the Policy Proposal.

Sincerely,

Tom Anderson
General Manager
Public Utility District No.1 of Whatcom County

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RD04-0137

SEP 30 2004

Congress of the United States
House of Representatives

September 30, 2004

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 04-0186
RECEIPT DATE: 9.30.04
DUE DATE: 10.14.04

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Mr. Stephen Wright
Administrator
Bonneville Power Administration
905 NE 11th Avenue
Portland, OR 97232

Dear Steve,

As your agency moves ahead with its Regional Dialogue for the post 2006 period, I would like to strongly urge that BPA exhibit flexibility concerning the applicability and interpretation of its New Large Single Load Policy (NLSL).

As you know, BPA's current policy regarding NLSL stipulates that any new load/new customer may take a total of 9.9 aMW of service per 12-month period from the local utility at the Priority Firm (PF) rate if the rest of its load is served by on-site or off-site renewable or co-generation. I have heard from several communities in my congressional district that the current policy lacks clarity as to whether a new customer can, in fact, serve its additional needs from an off-site renewable or co-generation resource.

Unfortunately, the lack of clarity in the current NLSL policy has, in some cases, stalled potential investment in economically challenged communities throughout southern, central and eastern Oregon. Much of the area I represent never saw the economic boom that other communities saw in the mid-1990's. Moreover, most of these communities were dramatically impacted by the decline of Direct Service Industries (DSI) and the timber industry. The decline of both industries has led to the loss of many high-paying jobs, particularly in DSI communities.

Through proactive efforts, however, these communities are now attracting major investment from well-known companies and other investors interested in locating where there is access to a highly skilled workforce and a ready supply of PF power. At this point of economic turnaround it is imperative that there be clarity in the NLSL policy and other BPA policies that could ultimately determine the future economic viability of these communities.

I appreciate your taking into consideration my thoughts on the NLSL policy. If I can be of assistance in clarifying any of issues I have risen in this letter, please do not hesitate to contact me. I stand ready to assist you.

Best regards,

GREG WALDEN
Member of Congress

ASSIGN: DR-7C
cc: FO3, DC/Wash, DR-7, L-7, P-7,
Anne Morrow-DR-7C