



Nez Perce

R004-0133
OCT 19 2004

TRIBAL EXECUTIVE COMMITTEE

P.O. Box 305 • LAPWAI, IDAHO 83540 • (208) 843-2253

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October 13, 2004

Regional Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

RE: BPA Regional Dialogue FY 2007-2011 Policy Proposal

To Whom It May Concern:

Thank you for the opportunity to comment on BPA's Regional Dialogue Policy Proposal. The Nez Perce Tribe is very interested in the power rates paid by both the Tribe as a government and those paid by tribal members. We, like others in the northwest desire low energy costs and continued water supply for anadromous and resident fishery. We appreciate the opportunity to have met on September 15th with Iris Crisman and Garry Thompson of the Portland and Spokane offices respectively. The information provided further clarified our initial questions about the proposal.

We do have several concerns about the proposal. Briefly, they are as follows.

1. **Service to New Public.** We understand that new publics must meet standards for service and request service by June 30, 2005. The Tribe is interested in exploring the possibility of developing its' own utility. We have established a framework for a utility that addresses water, wastewater, and solid waste. We have been in the "planning, developing, and establishing" the utility for several years. We have a customer base and billing system set up for services. In retrospect we did not realize it would take this long. Adding electricity/power may take us equally as long. However, much of the utility formation has been completed. We ask that the timeline for new services be extended to be able to fully participate in this initiative.
2. **Conservation Resources.** The Tribe is very interested in the support of low-income weatherization and other services for energy savings. Programs such as this should continue and be expanded for Tribal participation. Although our relationship with the local Community Action Agencies is good, it is time consuming and frustrating for our people to seek out-side assistance. We know that the tribes can oversee and operate a low-income energy assistance programs directly from BPA. Further that the Super Good Cents programs should be

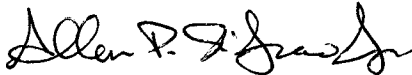


available for tribal homes and tribal members be afforded the opportunity be trained to conduct energy audits on the reservation.

3. **Renewable Resources.** We understand that the funds generated through BPA have been primarily due to hydro projects. We believe that alternative energy sources need to be explored; for instance, wind power, solar power, co-generation, and fuel cells. The Tribe has an interest in pursuing these but will need time, personnel, and funding to conduct feasibility studies to fully participate.

The Nez Perce Tribe is committed as is the BPA to provide for fairness in the allocation and/or distribution of their financial and natural resources. Your consideration of Tribal viewpoints is and continues to be appreciated. Should you have any comments or questions, please do not hesitate to contact us. The contact person for this effort is Gwendolyn Carter in Water Resources. She can be reached at the abovementioned telephone number and address. We look forward to working with you on this important initiative.

Sincerely,



Anthony D. Johnson
Chairman

cc:ICrisman

amount of \$11,641.00.

13. BIA Single-Line Agreement - Water Resources Approve the increase of \$497.00 to Water Resources BIA Single-Line Agreement for a total of \$193,431.00.
14. Ninety (90) Day No-Cost Extension - EPA GAP RTOC Approve the ninety (90) day no-cost extension for the Environmental Protection Agency's (EPA) General Assistance Program for the Regional Tribal Operations Committee (GA 98059002-0) from September 30 to December 31, 2004.
15. Bonneville Power Comments - Regional Dialogue Approve comments to Bonneville Power Administration with regards to it's Regional Dialogue Policy as it may impact the Tribe's ability to develop a tribal utility.
16. Letter Refer letter from Lawrence G. Wasden, Idaho Attorney General, regarding treaty rights of the Shoshone-Bannock Tribe, to the Office of Legal Counsel for review and recommendation to be brought back to the September 28, 2004 NPTEC meeting. REFERRED

BUDGET & FINANCE SUBCOMMITTEE - SEPTEMBER 15, 2004

17. Meeting Direct the Enterprise Human Resources Department, Tribal Government Human Resources Department and Michael Garrow, Enterprise Executive Officer, to meet with the Express Store Staff immediately regarding the Health and Life Policy.
18. Enterprise System Budgets and Capital Expenditures Approve the Enterprise System Budgets and Capital Expenditures for Fiscal Year 2005.
19. Enterprise Financial Report Accept the Enterprise Financial Report.
20. August 2004 NPTEC Treasurer's Report Authorize the acceptance of the August 2004 NPTEC Treasurer's Report.
21. Sterling Savings Bank Authorize the Express II Store to open a checking account at Sterling Savings Bank and close the Wells Fargo account.
22. Financial Assistance Authorize financial assistance from the Educational, Community Charitable Events Fund for the Northwest Children's Home, Inc. for a donation to support their activities on behalf of children in the Northwest, in the amount of \$150.00.

2427 E. Sharp
Spokane, WA
99202

RD04-0139
OCT 29 2004

Aug. 28, '04

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

Dear Sirs,

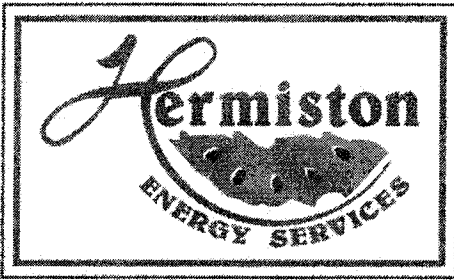
My comments on the power proposal are:

Develop renewable sources not currently engaged, expand those just started. (Wind, Biodiesel, conservation) Homes in your service area can function on these. Your large blocks of power would be available to DSI customers as a result.

Use Local labor force to build anything that needs to be. We can acquire the skills if you need them enhanced beyond what we possess.

Thank you for taking these comments into your decision.

Cathy Gunderson



Hermiston Energy Services
215 E. Gladys Avenue
Hermiston, OR 97838
Phone (541) 667-5035 • Fax (541) 567-6731
E-Mail: rdorran@hermiston.or.us

R004-0140
NOV 02 2004

10/29/04

Dan Bloyer, Account Executive
Bonneville Power Administration
1011 SW Emkay Drive, Suite 211
Bend, OR 97702


Dear Dan:

I am responding to the most recent letter from the Bonneville Power Administration dated October 21, 2004 relative to the review of comments received during the Regional Dialogue. I was particularly surprised that BPA intends further dialogue on the issue of Future Service to Customers with Five-Year Purchase Commitments that Do Not Contain the Lowest PF Rate Guarantee wherein in BPA's letter of October 5, 2004 (bullet 9) it stated that most who commented in this area agreed with the proposal to extend the contracts.

The issue is of particular interest to Hermiston Energy Services as we are a holder of a five year BPA contract and as the dialogue and discussions have taken place during the last few months we were under the impression that most folks were in agreement that these contracts would be extended another five years under the same conditions as holders of 10 year agreements.

Apparently this is not completely accurate so we again urge BPA to agree to extend our five year contract under the conditions mentioned.

Sincerely,


Russell Dorran
Electric Utility Superintendent

RECEIVED
NOV 02 2004

R004-0141
NOV 9 2 2004

November 2, 2004

Helen A Goodwin
Regional Dialogue Project Manager
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

Re: PS

Dear Ms. Goodwin:

Kootenai Electric Cooperative, Inc. (KEC) has been following the Regional Dialogue issues and public comments with a great deal of interest. Previously, KEC participated in, and was satisfied with, comments submitted by the Public Power Council (PPC) and the Northwest Requirements Utilities (NRU) organizations. After reviewing the summary of comments outlined in Paul Norman's letter of October 5, 2004, KEC is compelled to respond to certain Regional Dialogue issues as requested by Helen A. Goodwin's October 21, 2004 letter.

Of the four issue areas specifically mentioned in the Goodwin letter, the one that concerns KEC the most is post-2006 service to the direct service industries. KEC is opposed to long-term firm power sales and to the provision of financial benefits in lieu of power sales. The DSI's have advocated for either low-cost power or subsidies on a long-term basis.

For BPA to agree to such a request will have a significant adverse impact on the residential and commercial customers of consumer-owned utilities. BPA may be considering this action for political reasons. KEC urges BPA to consider the bigger picture of the entire Northwest economy and jobs in the Northwest region, rather than the limited number of jobs in aluminum smelters. Many of these smelters aren't able to be competitive in the world market even with the availability of low-cost power or subsidies from BPA.

Regional forecasts show that in the time period referenced the public power loads will roughly equal the availability of firm power on a planning basis from the Federal Base System (FBS). A commitment from BPA to supply firm power or

financial benefits to the DSI's raises significant legal questions concerning public preference. BPA has acknowledged that it has no statutory obligation to serve the DSI's. BPA does have a statutory obligation to serve the region's publicly owned utilities.

As far as service to publicly-owned utilities without the lowest five-year purchase commitment, those utilities should be able to continue to purchase power from BPA at the same rate as other preference customers. KEC does not take the position that public preference rights established by law can be contracted away and that right includes the opportunity to purchase preference power at the lowest rate available.

On the issue of product availability or allowing customers to switch between slice or block, KEC encourages BPA to allow such changes as long as the end result does not place new or increased obligations on BPA. BPA should make every cost-effective effort to reduce or control its costs in future rate periods.

Service to new publics is another issue area that BPA believes would benefit from further regional discussions. It is KEC's fundamental position that consumer-owned utilities should encourage and support the formation of new publicly-owned utilities. The issue or the question of their formation should not be determined by power availability from BPA. There are many other reasons which consumers should focus on, such as local control, when deciding the question on forming a new public utility. On the other hand, BPA should be in a position to assist in obtaining power supply and as long as firm power is available it should be provided. If at some point in the future the Federal Base System is allocated to the preference customers and a new public is formed, the new public should have the same entitlement as the existing public customers.

KEC's biggest concern, and in our Cooperative's view the over arching issue, is cost control. Regardless of how BPA and the region may want to shape or structure the power marketing arrangements in the Northwest, none of that will matter without meaningful cost controls that render the Federal Base System generation an asset rather than a liability. There have been periods of time in the not too distant past where BPA preference power was priced above the prevailing market price and BPA's customers took steps to reduce or offset purchases from the FBS.

Another area which KEC has concerns but which BPA has not identified as an area for additional comment is in the area of conservation resources. The

Helen A. Goodwin
November 2, 2004
Page 3

simplistic guideline that BPA should follow with regard to conservation resources is the cost-effective guideline. Conservation programs that are initiated should be able to pass a cost-effectiveness test that is based on fully allocated costs. This may be more difficult for BPA to determine than for the local serving utility. If this is the case, then BPA should increase its reliance on the local utility as the supplier of conservation programs. Whatever direction BPA chooses, the key factor should be cost effectiveness, whether it's a continuation of the C&RD, expansion of Con.Aug or whatever.

KEC supports the allocation methodology as presented by the Public Power Council. This support is conditioned on the issue of cost control and how BPA may decide to allocate certain costs in an allocation scenario. KEC has no desire to enter into new long-term power contracts for a fixed portion of the Federal Base System with little or no assurance that the costs will remain reasonable and will not escalate to whatever level the political winds drive them.

KEC appreciate the opportunity to provide comments on these vitally important topics.

Sincerely,



Robert L. Crump
General Manager

RLC/teb

cc: KEC Board of Directors
Ken Hustad, BPA
C. Clark Leone, PPC
John Savin, NRU

2004-0142
NOV 08 2004



Public Power Council

1500 NE Irving, Suite 200
Portland, Oregon 97232
503.232.2427
Fax 503.239.5959

November 4, 2004
Via Electronic and U.S. Mail

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

RE: Additional PPC Comments on Service to Direct Service Industries (DSIs)

Dear Paul:

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

Since the passage of the Northwest Power Act, the DSIs have known that 2001 was the end of the time period for which BPA had a statutory obligation to provide power to the DSIs. During that period (between 1981 and 2001), the DSIs were to develop alternate resources, or otherwise find power sources, to serve their load. They did not succeed in doing so.

The DSIs should be allowed to seek service from their local utility on a basis similar to that of other (non-DSI) industrial customers.

Sincerely,

C. Clark Leone
Manager

R064-0143
NOV 08 2004

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

From: Kevin Bell [mailto:kevinbell@chicagoscience.com]

Sent: Friday, November 05, 2004 7:16 AM

To: Taves, John M - DR

Cc: Jeff Shields; Abend, Kate (Union of Concerned Scientists); Anderson, Dorothy; Andre, Don (NW SEED); Morrow, Anne - DR; Arthur, Bill (Sierra Club); Aston, Bill (Solar WA); Bachrach, Devra; Bissonnette, Jeff (FCEC); Blake, Trina; Bogaard, Joseph (SOS); Bouchane, Aaron (NWSFIA); Brown, Lowrey (Or CUB); Carter, Sheryl (NRDC); Cavanagh, Ralph (BEF); Custer, Cindy J - DR; Cordan, Nicole (SOS); Courtney, Aaron; Curtis, Jeff (Trout Unlimited); Eastman, Darrell M - KE; Davis, Chase (Sierra Club-Spokane); Denniston Eddie, Sara; Din, Carla; DiPeso, Jim; Dixon, Danielle (NWECC); Ducharme, Lynn (CSKT); Duncan, Angus; Eberdt, Chuck (Opportunity); Eisdorfer, Jason (Oregon CUB); Englander, Andrew (SOS); Etherton, Laura (OSPIRG); Eymann, Richard (EPUD); Fiddler, Dick (Sierra Club); Foley, Tom; Ford, Pat (SOS); Formick, Jay; Framel, Curtis K.; Frenkel, Liz (Sierra Club); Fullerton, Kevin (NWECC); Gagliano, Troy (RNP); Kuntz, Gail K - DR; Garrison, Karen (NRDC); Garrity, Michael (Am. Rivers, Seattle); Genaux, Maia; Gilson, Joanna (BEF); Gravatt, Ann (RNP); Hamilton, Liz (NW Sportfishng); Hanna, Autumn (Taxpayers for Common Sense); Heutte, Fred (Sierra Club); Hirsh, Nancy (NWECC); Horton, Paul (Climate Solutions); Judge, Patrick (MEIC); Klum, Tana (CBFWA); Klumpp, Elizabeth (CTED); Kober, John (NWF); Koch, Chuck (OR Rural Action); Krasnowsky, Marc (NWECC); Lazar, Jim (Microdesign NW); Lei, Wayne (PGE); Ling, Sonja (RNP); Lothrop, Rob (CRITFC); Lucas, Donna (ATNI); Lundgren, Dave; Mace, Samantha; Reller, Mark D - DR; Masonis, Rob (Am Rivers); McCormic, Mavis; McIntire, Natalie (RNP); Morton, Jim (MEIC); Munson, Dick (NE/MW Coalition); Murray, Robert (Husky Networks); Nomee, Alfred (CDA); Oehlerich, Graden (MEIC); Paris, Vicki (SOS-Seattle); Patton, Sara (NWECC); Lossner, Peter A - KN; Pica, Erich

(FOE); Price, Stan (NEEC); Rhoads-Weaver, Heather (NW SEED); Rosolie, Eugene (NWEA); Roth, Rhys; Russel, Aubrey (Oregon Trout); Schacht, Katherine (EPUD); Schaff, Margaret; Schwartz, Howard (CTED); Seyler, Warren (Spokane Tribe); Shields, Jeff (UBS Warburg); Shimshak, Rachel (RNP); Smith, Deborah (NWECE); Still, Doug (NWECE); Stuart, Tom (IRU); Verner, Mary (Upper Col. United Tribes); Von Hagen, Bettina (Ecotrust); Wallace, Thom (NW SEED); Weiss, Steve (NWECE); West, Pete (Energy Trust of Oregon); Whitworth, Joe (Oregon Trout); Williams, Lyn (PGE); Zipper, Diane (RNP)

Subject: BPA, DSI's, and Columbia Generation - a modest proposal

The DSI's are back. What to do?

With the election of George Bush, the extinction of wild salmon in the Mid-Columbia and Snake basins is now assured. As the single biggest factor in that demise, it is strangely appropriate that the aluminum industry has returned from beyond the grave to demand, yet again, that Pacific Northwest electric customers prop them up for a few more years.

The surge in aluminum commodity prices that has sparked renewed interest in reopening regional smelters doesn't appear to reflect surging global demand so much as an overall tightening of energy supplies - globally, there is less cheap energy around. In the case of the Pacific Northwest, WPPSS 2 will become increasingly dicey as a reliable resource. Canadian natural gas reserves will fall off a cliff over the coming decade, driving regional gas prices sharply upward - given the inherent problems with a big commitment to LNG, the price threshold for replacement gas is probably a new Alaska pipeline, and it won't be cheap. That's good news for renewable resources - but large-scale introduction of new renewables will take about a generation to put in place, and they won't be cheap either. Bottom line - West Coast electric prices will be trending higher, and continue to be extremely volatile.

This has a direct effect on the consequences of BPA's energy allocation decisions going forward - BPA's usual policy of acting as the optimistic risk-taker of last resort for the region will bankrupt it quickly if it overextends again in the next contract period.

The size of regional subsidies to the aluminum industry over the last twenty-five years are squishy, but it's easy to make a compelling argument that they've averaged a few hundred million dollars per year - roughly the scale of the regional aluminum industry payroll. Let me be blunt - it would be stupid for BPA, and the region, to put itself in that position again when it comes to serving the DSI's, even on a smaller scale than before. If jobs is the policy driver here, we'd be better off just writing checks to the workers they would have hired.

So, here's the problem: given the political inevitability of BPA making an offer to the DSI's that have requested service, how do we structure the deal so that BPA is protected? I haven't looked at these numbers in years, so any quantification I put around this are, at best, rough placeholders for a serious proposal. The question on the table is whether this idea makes any sense at all:

Residual financing costs for the regions encounter with nuclear power will continue to be a drag on BPA's power operation for another decade or so about a third of power-side revenue requirements now, tailing off starting about a decade from now - say about a penny a kilowatt-hour. Residual hydro financing is about half a penny a kilowatt-hour. Hydro operations and maintenance for power, and buying off the IOU's, is maybe another penny a kilowatt-hour.

WPPSS 2 operations and maintenance and market-priced replacement power costs are about 3 cents per kilowatt-hour (BPA hides some of these costs in other parts of its operations budget). WPPSS 2 will become increasingly unreliable and expensive to run as it gets older, in part because of the decision to hold off on major servicing a few years back

in a desperate attempt to avoid shutting it down entirely. It continues to be the marginal resource on the BPA grid. In theory, the average output from WPPSS 2 is about what the DSI's are asking for.

So here's the deal. The DSI's can have WPPSS 2, at cost. If BPA believes their own analysis, what they can safely offer the DSI's is a reliable, fixed-price, medium-term contract for power at about 40 mills (WPPSS 2's fully allocated cost, including its share of all system finance costs and a reserve margin for power purchases during outages). This is well below the current market price for power, and insanely cheap going forward.

This is a significant compromise - remember, the reason BPA killed wild salmon to avoid going broke a few years back is because it had promised to provide power it didn't have for far less than the power was worth. *Any* fixed-price contract (I include contracts with adjustment clauses that are politically impossible for BPA to enforce in this category) threatens BPA's survival at this point. The DSI's will demand a fixed price. If they are going to get one, it should be set at level that does not put BPA at risk. If we can match the systems riskiest and most expensive resource with the regions riskiest and most expensive customer, and if BPA can resist the urge to promise power they don't have going forward to everybody else, the agency might actually be on a stable financial footing for the first time in thirty years.

Comments? Suggestions?

-Kevin Bell
Convergence Research



Public Utility District No. 1 of Klickitat County

Owned By Those It Serves

November 8, 2004

RD04-0144
NOV 09 2004

Via Electronic and U.S. Mail
Paul Norman
Senior Vice-President, Power Business Line
Bonneville Power Administration
P.O. Box 14428
Portland, OR 97293-4428

RE: Additional PPC Comments on Service to Direct Service Industries (DSIs)

Dear Paul:

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

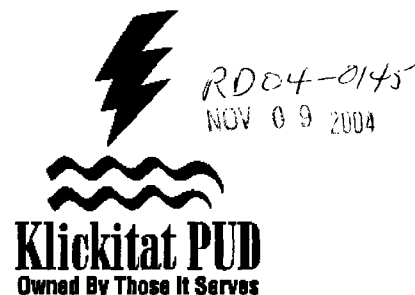
Klickitat PUD believes DSI's should be provided BPA service through their local utility. Comments have been submitted for BPA to reserve 500 MW for this service. DSI's able to receive service from existing BPA preference customers should be able to access this allocation. Additionally BPA should assist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

Sincerely,

Tom D. Svendsen P.E.
General Manager

November 8, 2004

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



Dear Steve,

Klickitat PUD agrees with PPC's Executive Committee that public power is troubled by the policy direction that BPA has proposed for post-2006 utility conservation programs. We too want the existing C&RD program to continue past 2006. We believe the present program is working and should be allowed to continue much as it is today.

Klickitat PUD believes strongly that renewable energy has a place to play in meeting tomorrow's loads. To that end we believe the Renewable portion of the C&RD needs to remain a vital part of this program.

BPA has indicated it has received the message from the regions utility managers regarding BPA internal cutting costs. We don't think the changes proposed by BPA to the C&RD program accomplish this goal. Instead the proposed changes actually increase BPA internal costs by adding another bureaucratic layer of regulation to an existing streamlined program that is tailored to local control and local conditions.

To sum up Klickitat PUD's position **"it ain't broke so don't fix it"**

Sincerely,

Tom D. Svendsen P. E.
General Manger
Klickitat PUD

PUBLIC UTILITY DISTRICT NO.

of Whatcom County

1705 Trigg Road • Ferndale, WA 98

P: (360) 384-4288 • F: (360) 384-4

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

RD04-0146
NOV 10 2004

RE: BPA's Regional Dialog Policy – Additional Comments

Dear Mr. Norman:

BPA has requested further input on four issues to conclude the response period for its Regional Dialog Policy Proposal. Public Utility District No. 1 of Whatcom County (District) would like to address two of these issues.

Service to DSI's

From a regional economic perspective, whether the DSI's remain viable in the future has no significant economic consequence. Therefore, the District can certainly see the motivation of some parties in the region who have actively campaigned for the termination of any future benefits to the DSI's.

From a local economic perspective, the situation looks much different. The DSI's are not situated in large metropolitan areas, which have large employment and tax bases. Rather, they are located in less populated rural areas, where their fate has significant implications for the local economies they impact.

The District understands the pressure on BPA to quit the DSI load serving business. An alternative, which the District urges BPA to consider, is to transition the power supply responsibility to the local utilities, which have a vested interest in the DSI's future. A specified allocation of federal power for a transitional period could help the local utilities assume this role. The goal would be to get BPA out of the DSI business and allow the local utilities involved to find creative ways to support the local economies in which they operate.

Five-Year Contract Extensions

On the issue of five-year contract extensions, the District reiterates its earlier submitted position that fairness dictates that those utilities holding five year contracts be provided the opportunity to extend the term of those contracts and receive power at the lowest PF rate. Extending the contracts, but not at the lowest PF rate, would constitute implementation of tiered rates, which BPA has proposed not to do.

Thank you for the opportunity to provide these additional comments.

Sincerely,

Tom Anderson
General Manager

Regional Dialogue Discussion

Date of Discussion: Friday, October 29, 2004

Regional Dialogue Topic(s): Renewables, Product Availability

Participants in Discussion:

PNGC – Joe Nadal, Doug Brawley, Eugene Rosolie

BPA – Helen Goodwin, Elliot Mainzer, Claire Hobson

Summary of Issues Discussed:

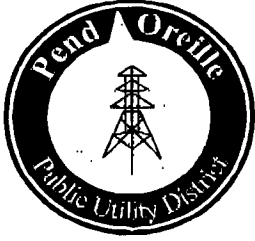
Renewables

- PNGC is not sure if adding new renewables to the FBS is prudent (as compared to simply adding them to the resource stack). PNGC indicated that BPA should consult with its customers before making these decisions. PNGC is not aware of any effort by BPA to do so in connection with recent decisions.
- BPA's use of the term "anchor tenancy" is a misnomer for the facilitator role BPA describes. Anchor tenancy conjures up comparisons to a mall's efforts to secure a major department store or two to take up square footage and serve as a draw for other small businesses. BPA needs to rethink the characterization of their future regional role as an "anchor tenant".
- There was discussion of the conditions under which BPA might acquire renewable project output in advance of need. PNGC expressed the opinion that BPA should only purchase to meet its load obligations.
- Also discussed was BPA's use of the hydro system to shape and firm the output of wind resources. PNGC expressed the view that BPA's use of the system in this way should not reduce the capability or flexibility of Slice customers' contract shares of the FBS. BPA indicated its studies show that it can provide

any foreseeable amount of such shaping and firming without affecting Slicers.

Product Availability

- **Shifting Slice/Block ratios should be something that BPA considers. PNGC is not advocating an open season, simply limited adjustments.**
- **PNGC is willing to work with other Slicers to facilitate this process and fully expects there to be specific parameters as defined by BPA (e.g. revenue-neutral) including specific adjustment limits.**
- **PNGC is ~~ambiguous about~~ indifferent regarding new Slicers. They are not opposed to BPA staying under the 2000 MW limit from a policy standpoint.**



Pend Oreille County Public Utility District

Administrative Offices - P.O. Box 190 • Newport, WA 99156 • (509) 447-3137 • FAX (509) 447-5824
Box Canyon Hydro Project - P.O. Box 547 • Ione, WA 99139 • (509) 446-3137 • FAX (509) 447-6790

RD04-0148
NOV 10 2004

November 10, 2004

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

Re: Additional Comments regarding Product Availability in Response to BPA's
Regional Dialogue Policy Proposals for BPA's Power Supply Role for
Fiscal Years 2007-2011

Dear Paul:

Thank you for the opportunity to provide additional comments on one of the issues being considered in BPA's Regional Dialogue Policy Proposals for BPA's Power Supply Role. We would like to offer the following additional comments on Product Availability before BPA makes its final policy decisions. Product Availability refers to the ability of customers to switch products effective October 1, 2006; specifically (1) the ability of existing Slice customers to adjust their Slice and Block amounts and (2) the ability of 5-year contract holders to switch to Slice.

We propose that BPA adopt the following policies regarding Product Availability:

- The total net increase in Slice amounts to be purchased by the combination of existing and new Slice customers would be limited to 400 MW, maintaining BPA's original limit on the total Slice amount of 2,000 MW.
- Existing Slice customers may adjust their Slice amounts effective October 1, 2006 either up or down, provided however, that the maximum net increase of Slice sales by BPA from these current Slice contract holders shall not exceed 10 percent of the total 1,600 MW of current Slice sales. Any change in an individual utility's Slice amount must be offset by a corresponding change in the Block purchase amount so that the total Net Requirement sales to an individual utility is unchanged. (i.e. an increase in the Slice amount must be offset by an equal decrease in the Block purchase amount.)

Paul E. Norman
November 10, 2004
Page 2

- Five year contract holders may switch to the Slice product, or a combination of Slice and Block, effective October 1, 2006.

We offer the following information in support of these recommended BPA policies.

1. A maximum 10 percent net increase of Slice sales by BPA from current Slice contract holders is a small incremental amount. Existing Slice customers purchase only 1,600 MW, representing 22.63 percent of the Federal Base System. *The maximum net increase in the Slice amount under this policy would be 160 MW or 2.263 percent of the FBS.* We would expect that the actual net change in Slice would range from zero MW up to a maximum of 160 MW.
2. Since any adjustment, up or down, in the Slice amount for individual, existing Slice customers, must be offset by a corresponding change, up or down, in the Block amount, there will be *no change in the utility's net requirements* and purchases from BPA. Such changes would be revenue neutral to BPA and not impose additional costs or risks on other BPA customers.
3. Allowing 5 year contract holders the opportunity to switch to the Slice product in 2007 as long as BPA's original limit on the total Slice amount of 2,000 MW is not exceeded is reasonable, since BPA was willing to originally allow 2,000 MW of Slice. Assuming that the above maximum net increase in the Slice amount of 160 MW is adopted and if all of the 160 MW is used by existing Slice contract holders, this policy would allow 240 MW in additional Slice sales, representing 3.395 percent of the FBS. *The actual change due to 5 year contract holders switching to Slice is expected to be significantly less than 240 MW.* There is also evidence that additional Slice sales, with a corresponding reduction in full requirements sales, could result in lower costs and reduced risks to BPA. This would provide benefits to BPA and BPA's other customers.

Thank you for the opportunity to provide additional comments and we offer to meet with you to discuss these issues further if you have questions on our proposal.

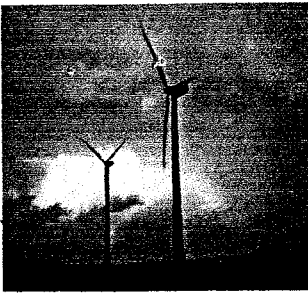
Sincerely,



Robert D. Geddes
General Manager

cc:

Helen Goodwin – BPA



Last Mile Electric Cooperative

120 Union Ave SE, Suite 221
Olympia, WA 98501

Robin A. Rego
President

Ph: 360.705.8800
Fx: 360.705.8801

November 10, 2004

Mr. Steven J. Wright
Administrator and Chief Executive Officer
Bonneville Power Administration
905 NE 11th Avenue
PO Box 3621
Portland, OR 97208-3621

RECEIVED BY BPA ADMINISTRATOR/S OFC-LOG #: 04 0221
RECEIPT DATE: 11.12.04
DUE DATE: Info Only

RD 04-0149
NOV 15 2004

Dear Mr. Wright:

INFO ONLY: PL-6
cc: FO3, DC/Wash, DR-7, L-7, P-6,
Cindy Custer-DR/WSGL, Helen Goodwin-PL-6,
Phyllis Dowty-PL-6, [REDACTED]

Re: Supplemental comments on continuation of renewable rate discount

Thank you for the opportunity to supplement our comments on the Regional Dialogue.

In our letter dated September 21, the Last Mile Electric Cooperative addressed several issues relating to Bonneville's ongoing role in facilitating the development of renewable resources. In this letter we wish to highlight the importance of retaining a discount for our members' research, development, and acquisition of renewable resources through Last Mile and Last Mile projects.

Last Mile is listed as a qualified organization to receive donations eligible for the renewable research and development discount. As such, our public utility members have used the conservation and renewable discount to support the research and development of new wind resources for Bonneville's customers. We are grateful to Bonneville for its recognition of the part that publicly owned renewable resources play in the region.

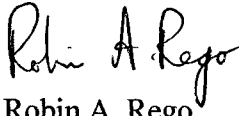
Thanks to this support, Last Mile has been able to investigate and develop a wide range of renewable resources that will benefit the region for years to come. We have partnered with nonprofit organizations to install several farm-sized turbines throughout the region, and are now in the process of developing community sized wind resources. We are also in permitting stage for a 300-megawatt wind project, the White Creek Project, which will be the largest publicly owned wind project in the nation.

Last Mile understands that the future of the conservation and renewable rate discount is under discussion in a number of forums, most of them focused on conservation issues. We urge Bonneville not to neglect the importance of maintaining a discount for renewable acquisitions, whether it continues to be administered by the Energy Efficiency program or elsewhere at Bonneville. The discount is important to Last Mile members. It

is an efficient and effective way to acquire these resources by Bonneville customers to the benefit of the entire region.

We appreciate this opportunity to comment and hope that these comments have been useful.

Sincerely,



Robin A. Rego
President, Last Mile Electric Cooperative

On behalf of:

Members of Last Mile:
Tanner Electric Cooperative
Grant County Public Utility District
Douglas County Public Utility District
Mason County PUD #3
Lakeview Light and Power
Plumas-Sierra Rural Electric Cooperative
Klickitat County PUD
Northwest Cooperative Development Center
Kittitas County PUD
Cowlitz County PUD
Bonneville Environmental Foundation
A W.I.S.H.
City of Olympia, Washington

RD-0150
NOV 16 2004

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November 12, 2004

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

Re: Additional Comments on Regional Dialogue Issues

Dear Paul,

Attached you will please find additional comments submitted by the utilities of the Western Public Agencies Group (WPAG) in response to you letter of October 5, 2004, and the follow-up letter of October 21, 2004, reopening the comment period. The WPAG utilities appreciate the opportunity to submit additional comments, and look forward to working with BPA on these important regional issues.

Yours truly,

Terence L. Mundorf
Attorney for the Western Public Agencies Group

**ADDITIONAL COMMENTS OF THE WESTERN PUBLIC AGENCIES GROUP
ON CERTAIN REGIONAL DIALOGUE ISSUES**

1. Introduction

These comments are submitted by the utilities that comprise the Western Public Agencies Group (“WPAG”) in response to Bonneville’s letter of October 21, 2004, reopening the comment period on four specific Regional Dialogue issues. These comments will address two of those issues, service to Bonneville’s aluminum smelter customers and service to preference customers with contracts that are expiring or have on/off ramps, and which lack a rate guarantee.

The WPAG utilities provide electric service in 13 different counties in the State of Washington, and serve about one million residents. The WPAG utilities purchase more power from BPA than any other preference customer group, and purchase power from Bonneville under Block, full requirements and Slice contracts. As a consequence, the WPAG utilities have a vital stake in the future role of Bonneville, and have been active participants in all of the proceedings in which the future role of BPA has been discussed. The WPAG utilities appreciate the opportunity to provide additional comments to Bonneville.

2. Service to Aluminum Smelters

BPA’s core business is providing power to its preference customers. BPA is a federal power marketing agency, and it should stick to the job it is given by the statutes. It has no authority to set up a benefit payment program for regional aluminum smelters, regardless of how long they have done business in the region. Such an undertaking would exceed BPA’s statutory authority and will be subject to legal challenge.

The aluminum smelters are free to seek service from their host retail utility if they wish to do so, and the host utility is free to provide such service. However, the fact that a public utility may elect to provide service to a local smelter provides no basis for increasing the federal power allocation of such public utility customer, and thereby decreasing the federal power available to allocate to other public utility customers. The WPAG utilities are strongly opposed to any proposal that would allocate Federal power system output to public utilities on the basis of aluminum smelter loads that they may elect to serve.

If any of the aluminum smelters do elect to seek retail power service from their local utility, they must be categorized as New Large Single Loads and be accorded the rate treatment appropriate to such loads, which is service at the New Resources rate.

Finally, the WPAG utilities are strongly opposed to augmenting the federal system for the purpose of serving aluminum smelter loads, regardless of whether such service is provided directly by BPA or indirectly by the local public utility, if the full costs of such augmentation are not borne directly by the aluminum smelter receiving service.

And any such sale must be conditioned on the smelter providing adequate financial assurance so that BPA's preference customers do not end up paying for any default by the smelter. Support of preference customers for the proposal to limit their power supply at an embedded cost through an allocation process will evaporate if at the same time preference customer access to the FBS is being restricted, BPA is augmenting to serve aluminum smelters and spreading the costs of such augmentation to its other customers.

BPA's legal obligation to serve the aluminum smelter loads is at an end. Also at an end is the tolerance of preference customers to being charged the costs of subsidizing the aluminum smelters when so many of their local industries have ceased operating without a helping hand being extended. It is time for Bonneville to recognize that no one is benefited by continuing to prop up the aluminum smelters at the expense of its preference customers.

3. Service to Publics Without the Lowest PF Guarantee

As the WPAG utilities stated in their initial comments, they support the proposal to offer extensions to expiring contracts and to permit utilities with on/off ramps to place their loads on BPA, and to offer both categories of customers the protection of the lowest PF rate language through FY2011. The WPAG utilities continue to question the wisdom of requiring these utilities to submit to a net requirements determination, and the imposition of a Targeted Adjustment Charge ("TAC") on one Block/Slice purchaser.

Since the only customer with a terminating contract or with an on/off ramp that is not a full requirements customer is Snohomish PUD, it is only Snohomish PUD that will likely suffer a reduction in the BPA power supply available to it as a result of this proposal. Further, it is also the only utility that will likely be subject to a TAC. The practical consequence of imposing the TAC on in this manner is that Snohomish will end up bearing the bulk of the costs of augmentation for the entire Bonneville system. Treating a single utility in a manner that is so at odds with the treatment accorded all other preference customers is neither fair nor reasonable.

This proposed treatment does not respond to any immediate problem, nor does it resolve a currently outstanding issue. Rather, it will create controversy where none now exists and make working cooperatively on issues of regional importance much more difficult. The WPAG utilities urge BPA to abandon the proposal to impose a new net requirements determination and the TAC on customers with expiring contracts and on/off ramps.

Kuehn,Ginny - DMR004-0151
11/15/2004

From: Jay Himlie [jayh@masonpud3.org]
Sent: Friday, November 12, 2004 4:40 PM
To: BPA Public Involvement
Subject: Further discussion on Regional Dialog Issues

Mason County PUD No. 3 would like to participate in the extended comment period.

Service to Direct Service Industries

Mason PUD 3 feels that the Regional Act was clear and specific in defining the end of the BPA's obligation to serve the DSI's in the year 2000. The DSI's failed to take any action to meet their own load obligations and received an extension to 2006. Now they are asking for additional consideration because they failed yet again to take any action to meet their own loads during this extension period. This should not be considered "cutting them off", it is recognizing that it is time for them to live up to the provisions of the Regional Act that have been in place and known to them since 1981.

BPA conducted a competitiveness survey of the DSI's which found that even if they received power at 20 mills, the Northwest DSI's were still in the top 20% worldwide in their cost of producing aluminum. This means that even if they received an allocation of BPA power at nearly 1/2 the cost being charged the Preference utilities, they would still not be competitive. Other industries in the Northwest (timber, aerospace, pulp and paper) which have experienced losses of jobs and market share (in most cases far in excess of the number of people employed in the aluminum industry) have received no reduction in their electric rates to keep them competitive.

If there is national strategic importance to the aluminum industry, that importance should be recognized through a national subsidy for the industry instead of by a subsidy from northwest electric ratepayers who have already been hard hit by, and are still paying for, BPA's over commitment to serve load it was not obligated to serve.

One acceptable means of continued DSI service would be the proposal BPA has made to Preference utilities under the proposed system allocation scenario of tiered rates. Any further service should be at BPA's FULL cost to acquire the additional power to serve them and charged to them at a rate that passes the FULL acquisition cost to the DSI's requesting service with no impact on other rate classes.

Future Service to Customers... w/o Lowest PF guarantee

The entire point of Preference in the Regional Act was and is to guarantee to the public utility customers of the Northwest the benefits of the Columbia River System. In Mason County PUD No. 3's opinion, this means that Preference utilities should ALWAYS receive the lowest available BPA rate in this contract or any other, whether it is specifically written in or not.

Product Availability

Mason County PUD No. 3 supports the WPAG position, that current Slice customers should be able to adjust their Slice and block amounts in 2007 without changing their total take from BPA, and that the 5-year contract holders should be allowed to switch to Slice in 2007.

11/15/2004

New Publics

Mason County PUD No. 3 supports the BPA proposal of a June 2005 deadline for the lowest PF rate. In addition, new publics utilities formed after June 2005 should be entitled to Residential Exchange benefits (I.E. not necessarily an allocation of preference power, but financial benefits to bring their cost down to the PF rate).

Thank you for the opportunity to comment.

Jay Himlie
Power Supply Manager
Mason County PUD No. 3
(360) 426-8255 ex 5280
jayh@masonpud3.org



3628 South 35th Street
Tacoma, Washington 98409-3192

R004-0152
NOV 15 2004

TACOMA PUBLIC UTILITIES

VIA E-MAIL

November 12, 2004

Ms. Helen A. Goodwin
Regional Dialog Project Manager
Power Business Line
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621
comment@bpa.gov

Re: Additional Comments of Tacoma Power on BPA Regional Dialog Policy Proposal

Dear Ms. Goodwin:

Tacoma Power appreciates the opportunity to provide additional comments on key issue areas identified by BPA during its review of public comments. We are hopeful that these comments will clarify our position on one of the key issues: Future Service to Publics with Expiring Five-Year Purchase Commitments that Do Not Contain Lowest PF Rate Guarantee.

In our earlier comments, Tacoma agreed with BPA to offer customers with expiring five-year purchase commitments (including those with on and off ramps) an amendment to extend their existing purchase commitments and lowest PF rate guarantee through 2011, only to the extent BPA provides a refund of total charges and costs to those customers who committed to agreements containing Stepped up Multi-Year (SUMY) load growth products during the FY2002 through FY2006 period.

BPA states in its proposal that these customers are subject to a recalculation of their net requirements and must agree to the amendment before June 30, 2005 or be subject to a TAC or other applicable rate. Augmenting our earlier comments, Tacoma Power does not see the need at this time to recalculate net requirements or apply a TAC charge for customers with the five-year purchase commitments (including those with on and off ramps) given the relatively modest amount of load this represents and BPA's forecast of near load/resource balance (including these customers' purchase commitments) for FY2007 through FY2011. Therefore, BPA should be capable of effectively managing the amended load requirements without hardship to other customers.

Sincerely,

Steven J. Klein
Superintendent



R004-01 53
NOV 15 2004

November 12, 2004

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

RE: PS

Dear Paul:

Snohomish County PUD No. 1 offers the following comments in response to your October 21, 2004 letter which reopened the comment period for four specific issues. Those issues included "Future Service to Customers with Five-Year Purchase Commitments that Do Not Contain the Lowest PF Rate Guarantee" which is the topic we will focus on.

First, as suggested by Administrator Steve Wright in my meeting with him this past October, we have continued to work with our account representative, Stuart Clarke on the issues associated with the extension of the Block product under Snohomish PUD's Block and Slice contract. I would like to state that we have found working with Stuart to be a positive and productive experience. We appreciate the willingness of BPA to keep an open mind and work with us in a cooperative manner. We do feel, however, that it is important that Snohomish PUD continue to be on record on this important matter and to reiterate our concerns relative to "Future Service to Customers with Five-Year Purchase Commitments that Do Not Contain the Lowest PF Rate Guarantee."

Snohomish PUD Agrees With the BPA Proposal to Extend Expiring 5 - Year Contracts and Contracts With On/Off Ramps at the Lowest PF Rate.

We generally agree with BPA's proposal to extend contracts with preference customers that expire in 2006 or that have on/off ramp provisions at the lowest PF rate. This puts all preference customers on an equal footing for an additional five years and allows the region to focus on the many longer-term issues which must be resolved. Of course such extensions should be subject to adequate notice to BPA that the preference customer wishes to extend their contract. To that end, at BPA's request, Snohomish PUD provided BPA notice of its intent to extend its Block purchase earlier this year, two years sooner than necessary.

BPA Should Not Impose New Net Requirement Determinations or the TAC Charge

We strongly disagree with the BPA proposal to apply a new net requirements determination or a TAC charge to any of the power sold under such extensions.

Snohomish PUD is the only Block/Slice purchaser being subjected to either of those requirements. Neither was contemplated in the Snohomish power purchase agreement and both are inappropriate for the following reasons:

1. Application of a policy should not result in the singling out of one utility.
2. The effective outcome will be to impose on Snohomish PUD alone the augmentation costs BPA incurs to cover any deficit for the entire Federal power system.
3. Application of the proposal will penalize Snohomish PUD for its conservation efforts which have been largely funded directly by its rate payers. This will create a major disincentive for future conservation funding and a very negative message regarding self-funding of conservation.
4. Our loads are lower because the recent substantial cutbacks at Boeing production facilities in Everett. However, Boeing has selected the Everett site for its new 7E7 program and we expect their loads to grow.

BPA has received many comments on this aspect of its proposal. Our review of those comments shows that only 8 of the comments were directly supportive of the application of a new net requirements determination while the vast majority were generally supportive without specifically addressing that issue or application of the TAC. We are aware that at least some of the commenters did not intend by their silence to imply concurrence with BPA's proposal to impose a new net requirements determination.

Similarly, the application of a Stepped up Multi-Year (SUMY) charge in the current rate period (FY2002 - 2006) to certain utilities such as Tacoma carries with it similar detrimental impacts. For that reason Snohomish PUD is supportive of Tacoma's request to eliminate this charge and have BPA provide a refund of total charges and costs to those customers who committed to agreements containing SUMY load growth products during the FY2002-2006 period.

Snohomish PUD Agrees With the Need for Certainty regarding BPA's 2006 - 2011 Load

Certainty around the load placed on BPA in the 2006 - 2011 rate period is necessary in order to provide the level of cost control and rate stability needed by BPA and its preference customers. That is the reason that Snohomish PUD provided to BPA, at your request, a letter stating its intent to extend its current Block purchase amount over two years in advance of when contractually required. We continue to support this premise and in keeping with that premise make the following proposal.

Snohomish PUD will commit to purchase from BPA for the remaining term of its Block/Slice contract the annual and monthly amounts contained in that contract. In return, BPA would commit to supplying such power at the same PF rate as charged to other Block/Slice purchasers without imposing a TAC, and without imposing an additional net requirements determination.

We believe that the above proposal provides both Snohomish PUD and BPA the certainty needed for planning purposes, places all of BPA's customers on a similar footing for power supply and price and removes a potentially contentious issue.

Snohomish PUD supports additional time to enable the region to find mutually agreeable solutions to the Direct Service Industries (DSIs) issues. There is strong disagreement within the public power community regarding service to the DSIs. We have initiated discussions with Alcoa's Jack Speer, and Congressman Rick Larsen regarding possible alternatives. Although, we have reached no consensus, we believe allowing an additional three months could lead to a mutually acceptable solution.

Snohomish PUD appreciates BPA's willingness to open the window for additional comment on these important Regional Dialogue issues. We believe our conversations with BPA have been positive and look forward to continuing to work together with BPA on these important issues.

Sincerely,



Ed Hansen
General Manager
Snohomish County PUD No. 1

cc:

comment@bpa.gov
Helen A. Goodwin