

Root-0154  
NOV 15 2004

**Kuehn, Ginny - DM**

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**From:** Jaspers, Janet [janetb@chelanpud.org]  
**Sent:** Friday, November 12, 2004 2:23 PM  
**To:** BPA Public Involvement  
**Subject:** Comments on BPA's Proposed Rate Case

TO: Stephen J. Wright, Administrator and CEO, Bonneville Power Administration

FROM: Janet Jaspers, Power Resource Coordinator, Chelan PUD

DATE: Nov 12<sup>th</sup>, 2004

RE: Comments on BPA's Proposed Rate Case

Chelan County PUD is concerned about the future power supply for the Alcoa Wenatchee Works Aluminum Plant. After a 3-1/2 year shutdown, the Wenatchee Works Aluminum Plant is planning on starting up roughly 50% of the plant using power from their share of Rocky Reach Dam as well as a limited amount of power supplied from Chelan PUD's resources. The other 50% is dependent on power from BPA.

Alcoa provides approximately 400 family wage jobs in Chelan County. Alcoa also contributes to our community in many other ways besides jobs. In the last three years, Wenatchee Works Alcoa workers donated 110,000 hours of community service.

Alcoa has been committed to the development of renewable power in our region. The Alcoa Foundation will contribute more than 1 million in cash and labor to build solar-panel installations at Wenatchee Valley Schools and nonprofit organizations. The estimated renewable generation from these 35 installations is up to 50 kilowatts.

We look forward to a regional rates solution in which we can keep these valuable jobs in the northwest. We urge you to extend the existing firm power sales contract to Alcoa until 2008 so Alcoa can remain viable and can continue to provide jobs in our community and also in the Bellingham area.

Thank you for your consideration of providing power to Alcoa and what that means to the communities that benefit from their presence.

Sincerely,

Janet Jaspers  
Power Resource Coordinator  
Chelan PUD  
Phone (509) 661-4548  
Cell (509) 669-0687  
Fax (509) 665-7863  
email janetb@chelanpud.org

11/15/2004

R004-0155  
NOV 15 2004

November 12, 2004

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

Re: Additional Comments regarding Product Availability, Service to DSI Loads, IOU Residential Exchange and Conservation 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.

Product Availability

Clatskanie People's Utility District (Clatskanie) would like to offer the following 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 the ability of existing Slice customers to adjust their Slice and Block amounts; and the ability of 5-year contract holders to switch to Slice.

Based on evidence that additional Slice sales, with a corresponding reduction in full requirements sales, would result in lower costs and reduced risks to BPA and would provide benefits to BPA and BPA's other customers, Clatskanie proposes 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 should be unlimited. BPA's original limit on the total Slice amount of 2,000 MW was established to allow implementation

to be manageable. For the most part implementation procedures are fully established such that increases in Slice amounts should not be limited.

- Existing Slice customers may adjust their Slice amounts effective October 1, 2006 either up or down with any change in an individual utility's Slice amount offset by a corresponding change in the Block purchase amount so that the total Net Requirement sales to an individual utility is unchanged
- 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. Any net increase of Slice sales by BPA from current Slice contract holders is likely to be a small incremental amount. Existing Slice customers purchase only 1,600 MW, representing 22.63 percent of the Federal Base System. Some Slice customers feel their current blend of Block and Slice is optimal, others want to increase Slice and decrease Block and still other want to decrease Slice and increase Block. The actual net change in Slice would likely range from zero MW up to around 200 MW but it should in no way be limited. The Slice product is a good, preference power product that reduces the market risks that BPA is exposed to and provides customers flexibility to manage their power costs.
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 is reasonable and an example of the customer service focus that is necessary to allow BPA to thrive. The increase due to 5 year contract holders switching to Slice can be expected to be relatively small, on the order of 1% to 1.5% of the federal system. 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.

Service to DSI Loads

Clatskanie reiterates that any service to DSI Loads should be through existing public or investor owned utilities. There is no statutory support for continued service by BPA to the DSI Loads. Should these industries be viable at the rate structures of a utility and represent load that the utility can serve without cost shifts to its other customers they will be able to acquire adequate service.

### Residential Exchange

The statutory language establishing and controlling the benefits to the residential and small farm customers of the Investor Owned Utilities (IOUs) is clear. The comparative cost of the relevant systems is simple to determine and is the basis of determining benefits. If the law is judged by the region to no longer work then the proper approach is to amend the law not to modify the law through administrative actions.

### Conservation and Renewable Discount (C&RD) and Conservation Augmentation (ConAug)

C&RD is an example of local empowerment that works. It should be preserved. In a future where the federal system is allocated the responsibility for acquiring cost effective conservation will fall to individual distribution utilities and their customers. C&RD provides a framework upon which the future conservation efforts, at a local level, can be built.

ConAug is an example of resource acquisition that BPA should not pursue. BPA should not be in the resource development or acquisition business. If the efficiency which is targeted by ConAug efforts is cost effective it will be acquired without the efforts of or costs to BPA that ConAug represents. In an allocated future the value of all cost effective conservation and efficiency will be recognized and accomplished locally. If the opportunity is so great as to overwhelm the host utility, partnerships with other public utilities can be utilized.

The accounting of conservation and efficiency activities is an issue that must be integrated with the allocation process. Once a utility has an allocated share it should be assured that conservation and efficiency reductions to its load will not result in a reduction of the allocation.

### Allocation

Clatskanie's support of allocation has been previously submitted with encouragement to BPA to establish allocation procedures and amounts immediately. Clatskanie submitted comments suggesting a methodology of

Paul E. Norman  
November 12, 2004  
Page 4

resource development credits that could be used as a basis for tiered costing which we would like to clarify. This approach is one of tiered credits and the characterization of Clatskanie as supporting tiered rates is inaccurate. Our suggestion simply allows for allocation and the reduction of the cost of federal based power to those utilities that provide additional resource for themselves.

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

Sincerely,

Joe Taffe, Power Manager

cc: Greg Booth, General Manager  
Theresa Rockwood – BPA

## Regional Dialogue Discussion

R004-0156  
NOV 15 2004

**Date of Discussion:** October 27, 2004

**Regional Dialogue Topic(s):** New publics, tiered rates

### **Participants in Discussion:**

*For **Confederated Tribes of the Umatilla Indian Reservation (Umatilla)**:* Bruce Zimmerman, Tax Administrator; J. D. Williams, Tribal Attorney

*For **BPA**:* Paul Norman, Helen Goodwin, Sonya Tetnowski, Iris Crisman, Shannon Greene, Rodney Aho (notetaker)

### **Summary of Issues Discussed:**

Umatilla began the meeting by stating that until recently, BPA did not recognize the tribes as "publics". Further, they went on to say that as a stakeholder group tribes benefit the least from the federal power system are the most negatively impacted .

#### *New publics:*

Umatilla stated the concept "first in time, first in right" to lowest-cost Priority Firm (PF) service "doesn't work for tribal utilities." Umatilla suggested that Bonneville set aside an amount of PF power against the advent of future tribal utility formation. The amount should at a minimum equal the Umatilla's load level (1 aMW, 3 MW peak); ideally it would be the composite of IOU load of all reservations, ignoring those under 1 MW due to the low likelihood of tribal utility formation. Umatilla also expressed a concern about transmission access to BPA power and obstacles being faced when dealing with the local IOU that serves the reservation now.

Tribes do not have the same ability as other municipal systems in terms of project funding options, Umatilla stated, hence their desire for special assistance from BPA in gaining access to power and transmission. Also mentioned were the tribe's difficulties in securing needed rights-of-way. Such start-up problems were said likely to prevent Umatilla from meeting BPA's proposed June 30, 2005 deadline.

BPA acknowledged Umatilla's concerns and stated the agency's proposal was aimed at assuring lowest-cost PF rate treatment during the next rate period. -- The proposed policy is not designed to be a requisite to an entity's eventual securing of a long-term power contract at the lowest-cost PF rate. That issue will be taken up in BPA's future long-term Regional Dialogue discussions.

### *Tiered rates.*

Umatilla expressed opposition to BPA's proposal to apply a Targeted Adjustment Charge (TAC) or other "tiered rate" to new publics, stating the tribe was having difficulty enough making the economics of the utility "pencil out" without layering on yet another expense.

BPA noted that "timing is everything" in terms of avoiding a TAC. Umatilla stated that a set-aside of megawatts at the lowest-cost PF rate for tribal utilities would render such worries moot. Umatilla asked for consideration of a temporary reservation of additional megawatts for some future growth, up to 5 MW for the tribe. Umatilla stated it would be amenable to "freeing up" its megawatts if after "a reasonable time" the utility was unable to take deliveries.

Umatilla also made a case for special treatment of tribes by BPA because of the agency's trust responsibilities, tribes are "most harmed" by the power system and receive the least benefits, and they face greater barriers to utility formation due to jurisdictional issues and an inability to condemn rights-of-way, issue bonds, or form taxing authorities.

### *Fish.*

Umatilla stated it was supportive of BPA's proposal to limit its long term load-serving obligation to the existing Federal Systems. BPA should "get out of the business" of acquiring resources to meet load growth because the added costs negatively impact BPA's ability to fund fish programs. As BPA melds-in such resources, BPA falls under increased pressure to cut costs – all costs, not just fish. BPA should look at non-hydro sources of power that help it operate the system in more "ecological" modes, but the acquisition of such resources strictly to serve load growth is problematic, Umatilla said. If BPA were to purchase from projects that help fish, tribes would be "okay" with the practice. BPA should put more pressure on entities requesting load growth service to meet their needs by conservation or other resources, and not burden BPA with the obligation, Umatilla argued, because such a practice is "not fair to others."

12004-0157  
11/12/04

November 12, 2004

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

Attn: Mr. Paul E. Norman  
Senior Vice-President  
Power Business Line

Re: BPA Policy Proposal for Power Supply Role for Fiscal Years 2007 – 2011

Dear Paul:

These comments are submitted in response to your request for more input on four issues in BPA's Regional Dialogue process. These issues are Service to Direct Service Industries, Product Availability, New Publics and Future Service to Customers with Five-Year Purchase Commitments That Do Not Contain the Lowest PF Rate Guarantee. In addition to commenting on the first three issues mentioned above, we wish to supplement and clarify our earlier comments of September 22, 2004. These comments are submitted on behalf of Avista Corporation, Idaho Power Company, NorthWestern Energy, PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc. ("NW Investor-Owned Utilities"). We appreciate the thoughtful approach you and your staff are taking towards these important issues and thank you for the opportunity to contribute to the discussion.

**Expansion and Clarification of NW Investor-Owned Utility September Comments**

BPA's summary of Regional Dialogue comments, dated October 5<sup>th</sup>, 2004, stated that "[m]ost commenters agreed that BPA should not implement tiered rates in the rate period that will start in FY 2007. Exceptions were the investor-owned utilities and Clatskanie who advocated tiering rates in FY 2007 to create the earliest possible price signals to utilities and the market..." BPA's summary might be read to suggest that we support application of tiered rates beginning in FY 2007 to all BPA power sales, including sales under BPA's existing power sales contracts. This was not the intention of our comments. Rather, the intention of our September comments was to recommend that BPA proceed without delay to adopt a tiered rate *structure*, realizing that such tiered rate



structure, while applying to certain types of loads, would not apply to existing BPA service under existing contracts.

The NW Investor-Owned Utilities continue to recommend that BPA not rely on a short-term targeted adjustment charge (TAC) but rather adopt a long-term tiered-rate structure. Without delay, BPA should conduct a section 7(i) proceeding to adopt a BPA tiered rate structure and should submit such rate structure to FERC for confirmation and approval.<sup>1</sup> Such a structure would in effect be a long-term TAC and must be of the same duration as the long-term contracts BPA is proposing. This long-term TAC would apply to rates for BPA service to loads other than those provided with the initial 20-year allocation of BPA's current "tier one" resources. Such added loads would include preference agency load growth, loads of newly-formed preference agencies, and loads annexed by preference agencies from investor-owned utilities. Under this rate structure, the full cost of incremental resources acquired by BPA to serve those loads would be included in the rate pool specified under section 7(b) of the Northwest Power Act<sup>2</sup> and allocated to the tier 2 rates paid for service to those loads. Taking this step will clearly establish the BPA rate structure for the long term.

It is particularly important to adopt this BPA rate structure without delay because BPA's customers can best develop resource plans if they have a clear understanding of both how BPA power will be allocated and the rate structure under which BPA will provide that power. However, because BPA is essentially in load/resource balance and does not need to acquire new, higher-priced power to serve existing customers, BPA can adopt tiered rates without having any significant effect on its existing customers' bills in the near term.

The region needs clarity about BPA's power supply role and the costs of that power supply. Now is the time to establish the BPA rate structure that will make such clarity possible. As BPA observed in its October 5<sup>th</sup> summary of comments, "PPC and others noted that allocation of MW's requires contractually enforceable segregation of costs." BPA long-term contracts combined with a BPA tiered rate structure as described above will accomplish that goal.

### **Service to Direct Service Industries**

BPA's role in providing federal power to serve DSI plants must be clear. Continuing BPA's New Large Single Load ("NLSL") Policy in its current form will help provide that clarity. Moving DSI service to the local utilities would raise a number of issues, and could have unintended consequences, for BPA.

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<sup>1</sup> As pointed out in our September 22, 2004 comments, the IP-PF Rate Link Methodology provides precedent for BPA's long-term adoption of such a rate methodology.

<sup>2</sup> Section 7(b) of the Northwest Power Act establishes a rate pool for preference customer service that shall recover the cost of that portion of Federal base system resources needed for preference customer service until such sales exceed the amount of such resources. Thereafter, the "rate or rates" for preference customer service shall recover the cost of electric power as needed to supply such loads, first from the electric power acquired by the Administrator under Section 5(c) of the Northwest Power Act and then from other resources.

BPA should not change its NLSL policy to allow DSI load to move to preference agency service and receive the PF rate. BPA's existing NLSL Policy is very important because it has promoted stability regarding BPA's load-serving obligations for service to large industrial customers in the region. Generally, a new load of 10 aMW or greater is a NLSL and the price for BPA power to serve it is the "New Resource" (7(f)) rate. Movement of DSI loads to local utility service at the PF rate would conflict with BPA's NLSL Policy. BPA should retain its current NLSL Policy with respect to movement of DSI load, or any other large load, to a preference utility. To do otherwise would increase the uncertainty about the load serving obligations of both BPA and its utility customers.

### **Product Availability**

Providing a wide array of power products and allowing a lot of flexibility to switch among those products poses additional risks for BPA and, in turn, creates additional costs for all BPA customers. The NW Investor-Owned Utilities urge BPA to reduce the risks it faces and avoid trying to "be all things to all customers." The NW Investor-Owned Utilities suggest that one approach is for BPA to allocate the costs of the existing federal power system to a basic product that is based on the system's output at critical water. Additional services should be priced *ala carte* and charged at the incremental cost of providing the extra service(s). For instance, Full Requirements customers could get exactly the same services they currently receive but they would see the costs of the individual pieces that comprise that service. We believe this would promote the kind of cost transparency that BPA's customers are seeking.

### **Service To New BPA Preference Customers**

BPA has proposed that new preference customers that have formed, met BPA's Standards for Service criteria, and requested firm power net requirements service from BPA prior to June 30, 2005, can receive BPA's lowest cost PF rate for the next two or three year rate period. The NW Investor-Owned Utilities concur that customers that meet the above criteria prior to such date should be served at tier 1. After June 30, 2005, BPA could provide up to an aggregate amount of 75 aMW of BPA service at tier 1 for loads of new preference agencies or for loads annexed by preference agencies without unduly disrupting the tier 1 allocation to BPA's existing customers.<sup>3</sup>

### **Conclusion**

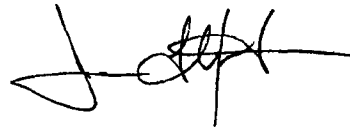
In summary, and subject to the exceptions noted above, the NW Investor-Owned Utilities believe that BPA should serve new preference loads at tier 2 rates for the 20-year duration of the long-term contracts proposed by BPA. As discussed above and in our September comments on tiered rates, BPA should not rely on short-term TACs. Rather, BPA should protect the allocation negotiated by its preference customers and foster an effective conservation and regional resource infrastructure development by establishing now the long-term BPA rate structure under which new or additional loads on BPA will

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<sup>3</sup> Indeed, establishing such a maximum will provide the stability of demands on BPA that will facilitate the development and execution of long-term BPA power contracts.

be served at the incremental cost of service to those loads. Also, BPA can enhance certainty regarding its load serving responsibility by retaining and enforcing its NLSL Policy in its current form.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Litchfield', with a long horizontal stroke extending to the right.

James Litchfield  
Consultant to the NW Investor-Owned  
Utilities



SPRINGFIELD UTILITY BOARD

R004-0158  
REV 10/04

MAIN OFFICE 250 A Street, PO Box 300 Springfield, OR 97477-0077 Tel 541.746.8451 Fax 541.746.0230 TDD 541.744.3659 www.subutil.co

November 12, 2004

Helen Goodwin  
Regional Dialog Project Manager  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

Re: BPA Regional Dialog (Supplemental Comments) - PS

Dear Ms. Goodwin,

Springfield Utility Board (“SUB”) received your letter dated October 21, 2004 which discussed an additional comment period for specific items associated with BPA’s Regional Dialog process. SUB appreciates this opportunity to comment on the future power supply role of the Bonneville Power Administration (“BPA”) for the 2007 – 2011 period. SUB is a municipal utility that serves approximately 30,000 electric customers within the City of Springfield, Oregon. The comments below are intended to supplement SUB’s comments dated September 22, 2004.

**Overview**

BPA’s Regional Dialog process is one of the broader processes (in terms of resolution of certain policy issues) BPA has undertaken. The most recent process that was similar was BPA’s Subscription Process. Public comment that led up to the Record of Decision for the Subscription Process was more narrowly focussed on certain proposals made by BPA. The Regional Dialog process, in SUB’s opinion, has been less cohesive in some ways – due largely to the nature of a more dynamic market compared to when the Subscription Process was initiated. Uncertainty around the outcome of the Subscription process largely centered around what decisions Consumer-Owned Utilities, Investor-Owned Utilities, and Direct Service Industries would make regarding service and product selection. Most of those service questions have been resolved. Uncertainty in the Regional Dialog process is linked to whether the combination of BPA’s decisions on individual issues will provide a solid foundation for the future – or merely create a hodgepodge of dysfunctional policy choices.

Springfield Utility Board's Comments  
Regarding BPA's Future Role

Because of this, SUB would discourage BPA from "picking and choosing" what policies to isolate from the broader discussion. BPA's invitation to have more public comment on only a handful of issues is, on one hand, helpful in that it can provide clarity to some issues. On the other hand, it promotes a feeling of unease that BPA's decision-making may be driven more by the number of votes cast on individual issues as opposed to what package of decisions makes sense as a whole.

The bottom line: SUB's following comments depend on the decisions made on other issues which are outside of the requested discussion posed by BPA. Different decisions on other issues may result in SUB having different recommendations than those provided below. SUB encourages BPA to present a Draft Record of Decision to allow customers to review the decisions that BPA would propose.

**Service to Direct Service Industries**

SUB is hesitant to promote service to Direct Service Industries at the expense of other customers. To the degree BPA deems it prudent to provide temporary support to DSI's, SUB would support financial benefits proposed by BPA ("Financial Incentive to Operate"). In SUB's opinion this poses the least risk to other customers. However, should BPA elect to pursue this option, BPA should include all of the following:

- 1) Place a cap on the level of financial benefits
- 2) Not have a minimum level of financial benefits
- 3) Provide benefits only to those plants which operate
- 4) Structure the level of benefits based on the difference between market prices and the retail price for industrial service in the region. SUB recognizes that a retail price included non-power costs, but this is a transparent and equitable solution given that market prices are driven, to some degree, by factors unrelated to fundamentals in the power industry.
- 5) SUB suggests that a fixed level of "virtual" average megawatts (less than or equal to 500 aMW) be established in the Record of Decision as the basis for calculating financial benefits.
- 6) BPA should use a forecast of benefits through the rate period in the upcoming rate case as the basis for establishing benefits (maximum benefits should not fluctuate through the rate period).
- 7) BPA should not provide financial benefits "before the fact". BPA should provide benefits after the rate period to verify operations or provide benefits after the fact through staggered payments over the rate period (e.g. every 6 months).
- 8) Should BPA have more than one rate period in the 2007 – 2011 period, there should be an exit clause to terminate DSI benefits. The parameters associated with what would trigger an exit clause could be defined at a later date, but could include non-payment for any BPA services and unanticipated adverse consequences to other customers associated with providing financial benefits to DSIs.

Any scenario that involves benefits to DSIs must include an agreement whereby BPA and any DSI participating in receipt of benefits agree that there is neither an obligation nor any expectation that BPA will provide any benefits to DSI's post-2011.

Springfield Utility Board's Comments  
Regarding BPA's Future Role

**Future Service to Customers with Five-Year Purchase Commitments that Do No Contain the Lowest PF Rate Guarantee**

As long as product switching is not allowed for ALL customers and any DSI benefits are small, SUB agrees with BPA's proposal in the July 7, 2004 regarding service to customers whose contracts do not contain the lowest PF rate guarantee. SUB recognizes that these customers have significant options that other customers do not have and these options regarding off-ramps and on-ramps have value. Regarding BPA's proposal on the length of time an offer should be left open to provide rate certainty, it is SUB's position that at 60 – 90 day window to accept an offer which would close no later than June 30, 2005 is too generous. However, as long as BPA limits service to new publics in the manner specified in the July 7, 2004 proposal, SUB would accept the BPA's proposal regarding the acceptance window. Should BPA modify its proposal regarding service to new publics, BPA should narrow the window of acceptance for lowest PF rate guarantees to 10 days after the Record of Decision is filed. This could take the form of a letter of commitment if formal acceptance is required beyond 10 days for legal reasons.

**Product Availability**

SUB agrees with BPA's proposal in its July 7, 2004 policy statement. New service to expand Slice to new Slice customers is problematic due to Subscription Policy language that requires a 10-year Slice contract for Slice service. There are significant equity issues which come into play should BPA expand its product offering to allow customers to switch to a Slice product (and vice-versa). In the spirit of compromise, SUB could support product switching between Slice and non-Slice products for existing and new customers if:

- 1) ALL preference customers were allowed to switch ALL products, including all customers with 10-year contracts; or
- 2) If ALL preference customers with 10-year contracts were not allowed to switch Slice and non-Slice products, then those that elected to switch products would be required to pay a Targeted Adjustment Clause for the privilege.

**New Publics**

SUB agrees with BPA's proposal regarding treatment of new publics as presented on July 7, 2004. Should BPA deviate from its July 7, 2004 proposal and expand opportunities for New Publics to receive service as the lowest-cost PF rate, it is SUB's position that there be no benefits provided to DSIs.

Respectfully submitted,

\_\_\_\_\_  
/s/

Jeff Nelson  
Springfield Utility Board

cc: SUB – Steve Loveland, Bob Linahan, Bob Schmitt  
BPA – Paul O'Neal



2004-0159  
NOV 18 2004

## **BPA's Power Supply Role Post 2006 (Regional Dialogue Proposal)**

### **Additional Comments of PNGC Power**

**November 11, 2004**

PNGC Power appreciates the opportunity to provide these additional comments on some of issues raised in the regional dialogue process concerning BPA's power supply role during the 2007-2011 period. Our brief comments here focus on the three areas highlighted below. They are provided to supplement the comments we submitted on September 22, 2004.

#### ***New/Different Products***

PNGC Power believes that modest adjustments to Block/Slice amounts should be entertained for the 2007-2011 period. We support the comments on this subject being submitted by Grays Harbor PUD which would entail up to a 10 percent increase in total Slice purchases for existing Slice customers and allow for new Slice customers all within the existing 2000 MWA policy cap. The only change to this we advocate is that each existing Slice customer have the ability to increase its Slice amount by up to 10 percent.

#### ***Service for Expiring Five-Year Contracts***

PNGC Power supports BPA offering to extend the term of the existing 5-year contracts (or contracts with off/on-ramps) through 2011. In the case of a customer with a Block (e.g. Block/Slice) product, the lowest cost PF rate should apply without doing a new net requirements determination so long as that customer does not seek an increase in their block product from what it purchased from 2002-2006.

#### ***Renewable Resources***

- 1) BPA should consult fully with its customers before making decisions to add any resources – including renewable resources - to the FBS as it is currently defined in contracts as of October 1, 2004. PNGC Power believes that BPA should refrain from further expanding the FBS with renewables or other resources prior to making a long-term allocation of power to its customers. BPA's latest forecast of loads and resources shows that BPA is surplus through 2008 so there is no current need to make such long-term acquisitions. Going forward BPA should acquire resources only to meet contracted for load growth when BPA is deficit. The MWs and costs of such resources should be assigned to customers whose

load growth and deficits BPA is obligated to serve consistent with BPA's proposed long-term policy.

- 2) The term "anchor tenancy" appears to be a misnomer for BPA's proposed facilitator role as we understand it. Within the parameters outlined above, we support BPA being a participant in projects that are expected to be commercially viable in order to serve its obligations. BPA should avoid participation in speculative ventures or projects whose viability would depend overwhelmingly on BPA's participation.
  
- 3) BPA's use of the hydro system to shape and firm the output of wind projects or other intermittent power sources should rely on the capability of the FBS not contracted to Slice customers. Such use of the FBS should not reduce the capability or flexibility of Slice customers' contract shares of FBS capability which they will be need to integrate and shape their own resources including renewables.

PNGC acknowledges and appreciates the opportunities we have had to discuss these and other issues face-to-face with BPA representatives. We look forward to continued involvement as BPA works to refine and implement its proposals.





**Affiliated Tribes of Northwest Indians  
Economic Development Corporation**

R004-0160  
NOV 15 2004

November 4, 2004

Helen A. Goodwin  
Regional Dialogue Project Manager  
Bonneville Power Administration  
PO Box 3621  
Portland, Oregon 97208-3621

RE: New Publics

Dear Ms. Goodwin,


The Affiliated Tribes of Northwest Indians Economic Development Corporation would like to again express its position that Bonneville Power Administration must permit those Indian Tribes that wish to form new public customers to be allowed to become Bonneville customers at lowest rates. They should be allowed to do so at their convenience and not on a schedule set by Bonneville. These tribes are sovereign governments with the right to form utilities. Many of them have only been working on the goal of utility formation for a few years and we all know that utility formation is a slow and capital intensive process that can not be accomplished quickly.

Bonneville's power and transmission resources are based on federal and tribal trust resources. They belong to all Americans and tribes often have trust resources, including water, land, fish and cultural resources that have been impacted by Bonneville operated projects. Tribes should not, due to an administrative decision designed to protect the existing customers, be prohibited from using these federal and tribal resources to their own benefit on their own time frames.

The time of formation is not a reasonable criterion for determining who may become a preference customer. This criterion has not been used in the past by any power marketing administration and is a departure from long standing policy. It may also contravene federal statutes requiring widespread use of federal power.

Thank you for consideration of our comments and permitting additional discussion on this matter.

Sincerely,



J. David Tovey Jr.  
President

cc:  
Shannon Greene, BPA  
Iris Crisman, BPA

*COLUMBIA RESEARCH CORPORATION*

RD04-0161  
NOV 15 2004

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November 10, 2004

Mr. Charles Forman, Jr.  
Routing: PSW-6  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208

Dear Chuck:

This letter confirms the position taken by my client, Canby Utility, during our conference call on Monday, November 8, 2004.

Canby is examining its post-2006 power supply options and hopes BPA will offer additional Slice contracts for our consideration. Whatever course BPA chooses, the choice should be fair and equitable (i.e., if BPA offers the Slice product to one 5-year contract holder, it should also make it available to other 5-year contract holders). We believe it would be a serious mistake -- from a legal and policy standpoint -- for BPA to undermine its even-handed effort to date.

In general, we support the policy objectives outlined in BPA's July 7, 2004 Regional Dialogue document. Our September 16, 2004 letter to BPA makes that clear.

Thank you for taking the time to talk with us on Monday.

Sincerely,

*Dan Seligman*  
Dan Seligman  
Attorney at Law

cc: Mr. Dirk Borges, General Manager, Canby Utility



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RD04-0162  
NOV 15 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 should be allowed, but would be limited to 400 MW, restoring BPA's original proposed contract 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. Changes 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.)
- Five year contract holders may switch to the Slice product, or a combination of Slice and Block, effective October 1, 2006.

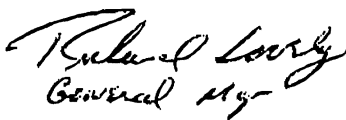
Paul E. Norman  
November 10, 2004  
Page 2

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

1. 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.
2. 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. *The actual change due to 5 year contract holders switching to Slice is expected to be minimal.* 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 L. Lundy  
General Mgr.

cc:

Helen Goodwin – BPA

R004-0163  
NOV 16 2004

# United States Senate

WASHINGTON, DC 20510

November 12, 2004

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 04.0222
RECEIPT DATE: 11.15.04
DUE DATE: 11.29.04

Stephen J. Wright  
Administrator  
Bonneville Power Administration  
905 NE 11<sup>th</sup> Avenue  
Portland, OR 97232

ASSIGN: DR-7C  
cc: FO3, DC/Wash, DR-7, L-7, P-6, PS-6,  
Cindy Custer-DR/WSGL, Helen Goodwin-PL-6,  
Phyllis Dowty-PL-6, Ginny Kuehn-DM

Dear Steve,

As we have worked together over the past few years, we know that you have developed an appreciation for our shared commitment to the workers of Washington state. We spend a great deal of our time working to enhance the economic competitiveness of our region—in which the Bonneville Power Administration (BPA) plays such a crucial role. We have supported economic development and diversification in a number of areas—spearheading efforts to attract new businesses and industries to the Northwest, while bolstering workforce training initiatives that will ensure our workers are among the best prepared to tackle the challenges of the emerging global economy.

At the same time, the past few years' economic downturn has disproportionately affected workers of the Northwest, and we have spent countless hours in the U.S. Senate attempting to secure benefits for those who have lost their jobs. In a number of circumstances, we have also successfully obtained Trade Adjustment Assistance (TAA) benefits for dislocated aluminum workers—those among the hardest hit by the economic downturn and Western energy crisis. Within this context, we are writing regarding BPA's power supply role for 2007-2011. Although there are many issues within the ongoing "Regional Dialogue" that interest us, this letter falls into the "ounce of prevention" category. We would prefer *not* to have to secure TAA benefits for more Washington state aluminum workers—as we believe their jobs can be saved with a little "forward thinking" and regional consensus-building regarding BPA's role in Northwest power supply in the post-2006 time period.

We are pleased that BPA's proposal for 2007-2011 includes a possible service benefit for direct service industry customers in good-standing. The aluminum industry, although reduced in size, has been an important part of the Washington State economy for decades. Good corporate citizens that stood with their employees during the worst of the energy crisis should be recognized for their long-standing commitment to the Northwest. In short, while we are busy urging new industries to locate their jobs in our state, we must also strike a balance that will help us *keep* the family wage jobs we presently have.

We also understand that discussions are underway among BPA's various customer groups about new potential ways to serve the region's aluminum facilities. These discussions are a positive step, as all parties must come together to fashion solutions in the best interest of the Northwest economy as a whole. We encourage you to work with the direct service customers and these stakeholders to fashion a creative resolution to this issue that is equitable to all parties, and cognizant of BPA's substantial impact on our economy and workers.

If we may be of any assistance to you, please do not hesitate to contact us.

Sincerely,



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MARIA CANTWELL  
United States Senator



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PATTY MURRAY  
United States Senator

## Regional Dialogue Discussion

**Date of Discussion:** October 27, 2004

004-016.4  
NOV 16 2004

**Regional Dialogue Topic(s):** New Publics

### **Participants in Discussion:**

*For Yakama Power<sup>1</sup> (Yakama):* Ray Wiseman, General Manager

*For BPA:* Paul Norman, Helen Goodwin, Sonya Tetnowski, Shannon Greene, Iris Crisman, Rodney Aho (note taker)

### **Summary of Issues Discussed:**

Yakama Power stressed the difficulty a Tribe faces in developing a utility. Tribes have to follow many jurisdictional regulations and processes that not within their control. One example is a Tribe's reliance on the Bureau of Indian Affairs' (BIA) approval process for rights-of-way and condemnation of property. Yakama Power stated that under BPA's Standards for Service (SfS), it is easier for entities such as airports and cities that "already own the land" to form utilities compared to tribes. Reservations most often are a patchwork of Tribally-owned land and privately owned land. Non-Tribal members may have objections to changing service providers without knowing the capability of the new utility. Another problem is that the utility infrastructure on reservations is often in need of repairs and has limited capacity that may not meet the needs of the utility.

Yakama Power took this opportunity to inform the Regional Dialogue process that Tribes who are seriously considering utility development would more likely than not face unique challenges in the startup phase that could significantly hamper their ability to meet the June 30, 2005 deadline for meeting BPA's Standards for Service.

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<sup>1</sup> Yakama Power is a wholly owned entity and subdivision of the Yakama Nation doing business as a public body formed under the laws of the Yakama Nation.