RD04-0165

Regional Dialogue Discussion

Date: November 9, 2004

Topic: New publics

Participants:
Alec Hansen, Montana League of Cities and Towns
Mike Kadas, mayor of Missoula
Bob McCarthy and Judy Jacobson, city of Butte
Roy Colgen, consultant

Helen Goodwin, BPA
Gail Kuntz, BPA
Tim Johnson, BPA
Garry Thompson, BPA
Ian Templeton, BPA (notes)

Summary of issues discussed:

The primary concern of the Montana Public Power Authority representatives was the Regional Dialogue's June 30, 2005, deadline for new publics to qualify for the lowest-cost PF rate in the next rate period.

The representatives suggested that BPA change its proposal to extend that deadline at least six months to allow an arrangement under which the Authority would qualify if it could show reasonable progress toward qualifying or to allow a notice of intent to qualify to meet the requirement. On questioning, they agreed that a contingent contract such as BPA has now under Subscription would also be an acceptable outcome.

The issue behind the deadline question is how long it will take the Authority to learn if it will be able to acquire the stock or assets of NorthWestern power and subsequently gain legislation from the state so the Authority can become a qualifying public utility.

BPA explained that the Regional Dialogue proposal calls for a shorter rate period than the current five years – either two years or three years. The Authority representatives felt that the shorter rate period – two years – could resolve most of their concerns about being shut out of the lowest-cost PF in the next rate period.

BPA also noted that the long-term Regional Dialogue proposal that will be released in July 2005 will take up the issue of new 20-year contracts that could be implemented as early as FY 2009. It was noted that some public power utilities may attempt to limit the amount of power that will be available to new publics in those 20-year contracts so it would be good for the authority to be involved in the process. Even if current customers want to prevent the entrance of new publics, BPA still has the obligation under its existing statutes to serve a new public. The issue might be whether that service is at the lowest-cost PF or at PF with a targeted adjustment.

The Authority representatives said that a two-year rate case would give them the most flexibility and that a three-year rate period would be better than a five year.

Other issues that arose included clarification that the Authority was expecting to qualify only the portion of a newly formed public power entity in western Montana within BPA's service area. When Authority representatives mentioned that the newly formed public would come with some existing power supply contracts, BPA explained that BPA would have to calculate the new entity's "net requirements" – that is, the load in its western area that is not met by the power in the existing supply contracts.

R004-0166
NOV 17 2004

Regional Dialogue Discussion

Date: November 10, 2004

Topic: New publics

Participants:

Montana Public Service Commission:
Tom Schneider

BPA:
Helen Goodwin
Tim Johnson
Gail Kuntz
Garry Thompson
Ian Templeton (notes)

Summary of issues discussed:

Tom Schneider noted that he was speaking as an individual commission member.

Schneider complimented BPA on its treatment of new publics in the current Regional Dialogue process but expressed concern over what he characterized as a "significant public policy" decision on how new publics will be treated in the long term, in the period after FY 2011 when most current power contracts expire.

He said that the current Regional Dialogue proposal reflects good public policy and makes good legal sense because it treats any qualifying public entity equally with existing customers. He said that it does not make good sense to "vintage" some customers; that is, treat existing customers preferentially over new customers.

He raised concern about the June 30, 2005, deadline for new publics to qualify to receive lowest-cost PF in the next rate period. It is problematic that the group attempting to establish a new public power entity in Montana can make that deadline. He said that there should be a mechanism, such as a memorandum of understanding between the entity working on qualifying as a new public and the entity selling assets to the new public or some other form of notification, that would allow the new public entity to qualify even if it doesn't make that deadline.

The key issue, he said, is that, if a new public entity is lawfully constituted and qualified in time to meet the FY 2011 "contract cliff," that new entity should get BPA's lowest-cost PF rate. If a new entity is in a position to execute contracts for post-2011 service at the same time existing customers do, then that entity should get equal treatment.

BPA asked how new publics should be treated if they come on the BPA system after new 20-year contracts have been signed.

Schneider responded that there should be periodic rate examinations. It is acceptable for a new public to pay a targeted adjustment over PF for a period of time, but new publics should not be forever and for all time frozen in a rate category separate from the existing customers.

He mentioned the 75 average megawatts that were set aside for new publics in the Subscription process. He thought that was a good idea because it provides flexibility, but it might be too low an amount for the current situation.

BPA asked if Schneider had an alternative to the June 30, 2005, date.

Schneider said that an agreement in principle, that assurance that a process to qualify is underway, should be sufficient to qualify as a new public. He said that the potential new public in Montana would encompass about the 25 to 30 percent of the NorthWestern service area west of the Continental Divide and amount to about 150 aMW of load. Knowing that should be sufficient for BPA planning purposes.

BPA emphasized that the point of the June 30, 2005, deadline is to provide BPA with load certainty so it will know before it sets rates whether it must acquire more power to serve load. And BPA noted that part of the current Regional Dialogue proposal is to examine the length of future rate periods. Comment has been given on whether the period should be two years, three years or five years, with most comment favoring the shorter periods.

Schneider responded that he still thought a probability of qualifying should be sufficient commitment for BPA's load certainty. He also said that the shorter rate periods were consistent with his thinking because new publics could be fully vested in a relatively short time. He indicated it could be acceptable for a new public to pay an incremental cost above the lowest rate for a short period until the next rate case.

RD04-0167
NOV 17 2004

Regional Dialogue Discussion

Date: November 10, 2004

Topic: Tiered Rates, New Publics, Service to the DSIs

Participants: Don Kari, Stephan Hall, Tom Deboer, Jeff Schlect, Lyn Williams, Mark Stauffer

Summary of issues discussed:

Tiered Rates: The participants asked why BPA proposed not to tier rates in the July policy proposal. It was the position of the attendees that BPA should immediately propose a tiered rates structure in a separate and distinct 7(i) rate proceeding and obtain FERC approval of the structure. Part of the rationale for proposing a tiered rates construct now is that some will challenge BPA's legal authority to tier rates. They stated that it is important to get this issue resolved while BPA is in load/resource balance so that virtually none of BPA's existing load would face the second tier rates in the next PBL rate case. Resolving this issue is important so BPA won't be faced with litigating and implementing tiered rates at the same time.

New Publics: The participants expressed a preference for the June 30 2005 date for new publics as expressed in the July policy proposal and agreed this was an issue open for discussion for the rate period that follows. Some stated that an allocation of the Federal system is endangered by a large new public meeting BPA's standards-for-service and requesting service from BPA. It was stated that if BPA adopted tiered rates, it would support an allocation scheme. Participants also discussed the issue of "rates of general applicability" and acknowledged this was an area that would be open for further discussion. The participants suggested that all new publics would face a Tier 2 rate in the future. The rationale being that if a new public can purchase Tier 1 power from BPA there is no incentive to develop resources. Participants then discussed whether the current 5(b)9(c) policy would support such a conclusion. There was some discussion if there should be a waiting period for new publics after which time they would be eligible to receive Tier 1 power. There was further discussion, but no conclusion drawn, whether it would be better to set and cap Tier 1 or have it change depending on the specific circumstances. The point was made that if it changes, it is not predictable. The participants also pointed out that public power is very opposed to a tiered rate structure that provides a portion of service at Tier 1 and a portion at Tier 2 (horizontal tiering), but existing publics may favor rates that are tiered vertically.

Cost Controls: It was acknowledged that cost controls is an issue that is open for further discussion. It was further stated that some public utility customers will be reluctant sign 20-year contracts if there is a possibility that BPA will expand the existing Federal system.

New Large Single Loads: Service to the Direct Service Industries through local public utilities was discussed. Access to stability reserves through transmission contracts was brought up as an issue that needs to be researched and addressed. Providing the DSIs service through local utilities will create inequities, and other large industries may seek the same rate treatment as the former DSI. The investor-owned utility attendees strongly urged BPA to enforce its existing NLSL policy. Not adhering the to policy potentially undermines any allocation scheme. The participants stated that they were not against service to the DSIs. The issue for them, primarily, is the manner in which service will be provided to the DSIs because serving DSIs through local utilities has implications for the NLSL policy and possibly BPA's load serving obligations. BPA explained its proposal to serve the DSIs at a known, capped cost to other Federal power customers and asked if the participants had other ideas. As stated in the July policy proposal, BPA's preferred path is a financial incentive to operate.

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RD04-0168
NOV 17 2004

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 04-0223
RECEIPT DATE: 11-17-04
DUE DATE: Info Only

November 15, 2004

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

INFO ONLY: PS-6
cc: FO3, DC/Wash, DR-7, L-7, P-6, HGoodwin-PS-6, PDowty-PL-6, [redacted], CCuster-DR/WSGL, RSwedo-DR-Spokane, KWatts-PSW/Seattle, DFitzsimmons-TM-OPP2

Dear Mr Wright,

Our Utility has some serious concerns with BPA's proposed post-2006 conservation programs. We appreciate the position that BPA is in concerning cutting costs; however, we feel that BPA's proposed changes to the C&RD will greatly hinder our abilities to obtain the desired results in KWH savings and in helping BPA to meet it's own goals.

We are very much in favor of using the present C&RD as the primary vehicle in achieving the conservation goals set forth by the Power Council. It has worked well for us in the past and we believe that with some adjustments, it can work in both our interests for the future. Please know that as a Utility, we have been a strong supporter of conservation over the years and believe in its benefits to the region. The following lists our specific concerns pertaining to your proposed changes.

1. **Regional cost should not be part of the equation!** Why hinder our efforts in getting savings by eliminating measures. BPA should only be concerned with what their costs are to achieve those KWH's. By eliminating measures, you are limiting our creativity in obtaining the desired savings. Please let us know what is included as regional cost. If these costs are found to be too high for most of the measures we offer now, will that exempt the Utility from any penalties for not participating in your programs or being unable to achieve the required savings? Taking money from our customers and giving it to another Utility for conservation is **not** an option and would be met with a considerable amount of resistance.

2. Your present proposal would make it very difficult, if not impossible, to achieve our conservation goals. It reduces the conservation measures available to our customers, reduces the savings associated with each measure, reduces the incentive to install the measures, and adds more administrative costs through additional oversight and reporting requirements. We do not see this as a win win situation.

3. In your proposed changes, much more of the cost would be shifted to the Utilities. In that case, why would there be a need to increase oversight and verification (it's our money)? If BPA feels that it needs more verification, we would be open to a minimal amount and in no way like the days of receipt and acceptance.

4. Our Utility would like to see BPA assign a reasonable KWH saving and incentive to each measure. Let the Utility be responsible in achieving the KWH savings in whatever way they deem appropriate.

Our relationship is very important to us and feel that it has been very positive for both BPA and our Utility over the years. Because of that relationship, we have seen many very successful projects completed that have been beneficial to you, the Utility and our customers. I would like to reiterate that we feel the C&RD is the best choice in meeting our conservation goals post 2006.

Sincerely,

Jim Dolan
Customer Services Manager

CC:

Doug Miller-General Manager

PUD Commissioners

Kirsten Watts-BPA

Mike Rose-BPA

R004-0169
NOV 18 2004

FRANKLIN PUD

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November 16, 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. Franklin PUD offers 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.)

- 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,

Jean

Jean Ryckman
Manager

cc:
Ed Brost – BPA
Helen Goodwin – BPA
Loren Baker – PRM
Don McMaster – Franklin PUD
Linda Boomer – Franklin PUD

Ltr. 2004-272

R004-0170
NOV 1 9 2004

Service to DSIs and New Public Agencies
Minutes of November 4, 2004, Meeting
Participants:

- Jason Eisdorfer, Oregon Citizens' Utility Board (CUB)
- Gerald Miller, Golden Northwest Aluminum (GNA)
- Paul Murphy, representing Golden Northwest Aluminum
- Jack Speer, Alcoa
- Helen Goodwin, BPA
- John Taves, BPA

John began the meeting with a brief summary of the meeting purpose; i.e., to provide an opportunity for interested parties to offer new ideas on the issues of BPA service to direct service industrial and new public agency customers for BPA to consider in finalizing its regional dialogue proposal.

Jason raised several questions about service to new publics, to which Helen responded.

1. Question (Jason): By when must new publics request service to eligible for service during the FY-07-11 rate period? Answer: BPA would need to receive a request for service and the requestor would need to meet the standards for service by June 30, 2005, in order to be eligible for lowest-cost PF service through September 30, 2011. A later request could result in the imposition of a targeted-adjustment clause (TAC) adder.
2. Question (Jason): Is it correct that BPA's current proposal would apply only through 2011 and there is no decision at this time concerning service to new publics beyond 2011? Answer: Correct. New publics would likely come in under new long-term contracts for post-2011 service. Follow-on question from Paul: If a new public were to miss applying for service prior to 2011, would they face only a temporary TAC under a new long-term contract? Answer: We don't know yet. Jack noted that a 5-year rate period (post 2011) might be about right.
3. Question (Jason): What process will the discussion of long-term issues follow? Answer: We expect to have a draft long-term proposal by July 2005. We are currently thinking about process and public involvement and anticipating a 5 to 6-week comment process with a final proposal by January 2006.
4. Question (Jason): Have you begun the engagement process for the long-term regional dialogue discussion? Answer: Not yet. There may be a challenge regarding the size of the group through which this discussion takes place. There followed some discussion of how best to allow all who are interested an opportunity to participate without making the process overly cumbersome. Jason recommended BPA avoid separate meetings with separate groups, preferring a big tent or Regional Representatives type approach or, at least, the taking and sharing of meeting minutes. Jack suggested it might be important for groups to come together initially, form coalitions and develop proposals prior to moving to a larger process. Jason acknowledged this could work, provided BPA maintained an initial respectful distance.

Paul asked what were the criteria an organization would need to meet to be eligible to receive service from BPA as a new public. Answer: At a minimum, such organizations would need to meet BPA standards for service. Helen did not know if it might be possible to use a contingent approach where an organization could apply prior to meeting the necessary criteria, provided it meets the criteria by the service date.

The discussion then turned to the issue of future service to direct service industrial customers. Paul suggested the approach being discussed by the PNUCC (i.e., allowing BPA's utility customers to purchase federal power to serve DSI customers that would transfer to their systems) seems to have promise. Jack noted it would be good in the short term for BPA to simply roll over existing DSI contracts until service through local utilities could be arranged on the same basis as they serve other commercial and industrial customers.

Paul indicated a desire to avoid a need for new legislation, but noted the 10 MW/year threshold for utilities to provide service to New Large Single Loads is a problem. Jack indicated the 10 MW limit would not be adequate and would need to be eliminated. Paul indicated there are advantages to having a local utility serving DSI load. Helen asked if the utilities are supportive of this approach and Jack indicated it varies and the details would need to be worked out and should be applied to only DSIs (not other potential NLSLs).

Paul indicated GNA supports a "pilot light" approach where BPA would offer a base amount of 100 MW/smelter during the next rate period to allow plants to survive in hopes something more feasible could be developed for the long term. Jack noted, however, that the pilot light would go out if no long-term solution can be developed. Jerry indicated GNA would be willing to take the risk of the market if BPA can get them through the next rate period. Nevertheless, Paul noted that their desired case would be adequate power from BPA to fully meet DSI load.

Paul argued the intent of the Regional Act was to provide long-term service to the DSIs, but the decrease in system capability resulting from Endangered Species Act requirements has created a decrease in available generation that BPA must accommodate through either a new contractual mechanism or a change in law. He suggested 900 MW would probably be sufficient to meet the reduced DSI load level in the region.

Jason noted that the residential exchange loads should receive priority access to BPA power ahead of DSIs. Paul noted that a financial settlement actually carries less risk for the exchange customers than a power solution. Jack noted that all parties need to have some interests going forward. Jason expressed agreement, pointing out that was a benefit of subscription.

Paul noted GNA would not be eligible for BPA service under the current proposal because of their financial situation. They would like that changed so that, once they are reorganized, they could be eligible for service. He indicated Brett Wilcox is okay with any of the approaches BPA is considering, provided GNA can be eligible. Paul noted that dealing with the market would probably be more workable that meeting BPA current requirements for credit worthiness.

Jack indicated 100 MW would not be adequate to meet Alcoa's long-term needs. He said BPA move away from a 4-year critical period to accommodate fish operations reduced the size of the federal system and rendered the Regional Act unworkable. Paul pointed out that using non-firm power to firm the system worked well until the price of non-firm increased. Jason stated it might no longer be possible for the Regional Act to work, given the increases in demand on the system and the decreases in system capability. Paul agreed there now seem to be only two tracks available: 1) determine a new allocation method or 2) stop sharing the system across all of the historical beneficiaries. He suggested making proportionate decrements in service to all current users.

Jack concluded by stating that incremental decisions on the issue of DSI service may not work well and that BPA should perhaps not try to make a long-term decision on limiting DSI load in December. Jason suggested adequacy standards should be figured out before deciding on a long-term service limit for the DSIs.

B04-0171

NOV 1 9 2004

Service to DSIs and New Public Agencies
Minutes of November 9, 2004, Meeting
Participants:

- Brett Wilcox, Golden Northwest Aluminum (GNA)
- Jim Woodward, United Steelworkers of America (USWA)
- Mark Peterson, United Steelworkers of America (USWA)
- Mike Keith, United Steelworkers of America (USWA)
- Helen Goodwin, BPA
- John Taves, BPA

John began the meeting with a brief summary of the meeting purpose; i.e., to provide an opportunity for interested parties to offer new ideas on the issues of BPA service to direct service industrial and new public agency customers for BPA to consider in finalizing its regional dialogue proposal.

Brett indicated he supports the position articulated by Jack Speer (Alcoa) during a November 4 meeting during which Jack indicated he believes the framers of the Regional Act intended the DSIs to receive service from BPA into the indefinite future; however, he noted it is necessary to recognize the political realities that currently exist. As such, he is seeking a base supply that will enable a minimum workable plant operation. Jim noted that five DSI plants in the region may have a chance of surviving and that the Steelworkers support the concept of making 100 MW of power available to each of them, observing that they contribute substantially to jobs. He said it is frustrating that BPA is not proposing credit support as part of its proposal and that BPA should support development of generation projects, as well as the sale of power for the DSIs.

Mike noted that the DSIs are important contributors to both direct and indirect employment and that the aluminum industry enabled construction of the Federal Columbia River Power System. He indicated he believed 100 MW/plant was not a selfish number and one to which the DSIs should be entitled. He also stated that credit support is an important element for GNA and the company should not be pooled with other companies that have failed to demonstrate the good corporate citizenship exhibited by Brett Wilcox in operating GNA.

Brett then pointed out that GNA had shared $100 million with BPA, ensuring that BPA was not harmed by the buyback arrangement with GNA or GNA's failure to take power under the take-or-pay terms of their contract during and following the 2000-2001 energy crisis. He also said the employees and communities where the GNA plants are located should not be harmed for any mistakes the company made in the past. The point of providing any future power to the DSIs is to provide jobs in distressed rural areas like Goldendale and The Dalles. He further indicated it would be poor public policy for BPA to fail to support the communities and employees where GNA operates, noting that going through the bankruptcy process will give the plants a clean start. He suggested a mini-exchange with servicing local utilities could allow BPA to legally acquire power for the DSIs, avoiding the need for a direct sale. He also indicated providing credit support for resource development (e.g., Summit Westward) is an acceptable approach. Jim indicated the USWA is okay with a combination of Brett's approaches.

Brett indicated he is willing to take the risk of operating if BPA would provide a production credit equal to the full difference between BPA's rate and market rates.

Jim indicated it is important to enable one potline to operate even during lean times in order to preserve a trained workforce in the community. Brett stated GNA's goal is to operate locally in The Dalles and Goldendale—not to go worldwide.

Mark made the point that, even though 100 MW is a relatively small amount of power, it would have tremendous benefit. He noted he lives in and sees the effects of unemployment in Goldendale. Some people have had to simply walk away from a home they can't even sell.

With regard to retraining programs, Jim indicated that there are no jobs in the community that would fit the new skills of the retrained workers. He also suggested the aluminum plant may provide drought insurance. Brett pointed out that he had also proposed using Summit Westward to provide drought insurance to the region. He indicated BPA would need to provide credit support to GNA in order to enable them to implement drought insurance.

Brett also expressed his belief that BPA has a moral and public purpose obligation to continue serving the DSIs because of their historic role in supporting development of the power system. He also pointed out that there are no technical problems with either of the GNA plants and that all they lack is a reasonable power supply. Jim indicated the plants can make it on 34-mill power and are ready to go.

Helen asked if the proposed 100 MW per plant would be required only until 2011. Brett indicated he would like a long-term commitment like Alcoa is advocating, but realize that the current process is dealing only with the five years to 2011, so the long-term resolution will await a later process. In the short term, GNA would need at least a 5-year power supply and would then be willing to take their chances on the outcome of the process to determine a long-term supply, rather than just having to fold at this time. In any event, GNA would like to be offered the same deal as any other DSI in the region. Jim said whatever approach is implemented should be equitable even if different companies take different routes.

In closing, Brett expressed a belief that gas prices will come back down possibly to the $2-3, but more realistically, to perhaps the $3.25-$3.75 range (given the costs of LNG) and Jim pointed out that alumina prices are dropping.

NOV-19-2004 15:11 202 586 6762 P.01/01

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Committees:
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RD04-0172
NOV 19 2004

November 19, 2004

[...]ED BY BPA
[...]NISTRATOR'S
[...]C-LOG #: 04-0225
RECEIPT DATE: 11.19.04
DUE DATE: Info Only

Steve Wright
Administrator
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RE: Comments on Regional Dialogue Issues

Dear Steve:

I am writing in response to your request for comments on the regional dialogue topics of service to DSI customers and treatment of customers whose contracts expire in 2006. As you know, my district includes two customers that fit within these categories: Alcoa, which runs the aluminum smelter in Ferndale, and the Snohomish Public Utility District (SnoPUD).

As you know, both SnoPUD and Alcoa share similar issues for the 2006 contract period. They both would like to stand on a fair and level playing field as they work on BPA's long-term regional dialogue. I am pleased that they have decided to work together and with you on some of these issues.

First, SnoPUD, which serves about half of my constituents, will be negatively affected by higher prices or smaller deliveries of power if they are not allowed to continue to receive the same amount of power at the same rate or one similar to other public utilities. Second, Alcoa's Ferndale plant must be able to continue operating past 2006, so that it can engage in the post-2011 regional dialogue and keep hundreds of workers in family wage jobs.

I hope both of these issues can be addressed favorably because of the significant impacts each has for my constituents. I understand that Alcoa and SnoPUD are working together to develop possible solutions for these issues. I met recently with Jack Speer of Alcoa and Ed Hansen of SnoPUD and heard some of their ideas. I was encouraged by their comments. They also tell me that they need more time to work on these issues.

I hope you will be able to delay your decision on these issues for an appropriate amount of time to allow their work to continue. I believe that if they are successful, it will be good news for all of us. I also understand they are interested in keeping you informed of their work and their progress.

Thanks for the opportunity to comment on these important issues.

Sincerely,

Rick Larsen

Rick Larsen
Member of Congress

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TOTAL P.01