



B904-0173
NOV 24 2004

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| RECEIVED BY BPA ADMINISTRATOR'S CFC-LOG #: 04-0228 |
| RECEIPT DATE: 11.22.04 |
| DATE: Info Only |

November 16, 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, MWeedall-PN-1, HGoodwin-PS-6,
PDowty-PL-6, GKuehn-DM-7, CCuster-DR/WSGL,
RSwedo-DR-Spokane, EBrost-PSE/Richland,
BAltmann-TM-OPP2

Dear Steve,

Benton PUD supports the Public Power Council's (PPC) position on BPA's post 2006 utility conservation programs as expressed in their November 5, 2004 letter to you. (copy attached)

We, along with other public utilities, are willing to do our part in working to adjust the current C&RD Program to one that will benefit utilities, our customers and the region in post 2006. We want the existing C&RD Program to continue post 2006 with some minor enhancements for the reasons outlined in PPC's November 5th letter.

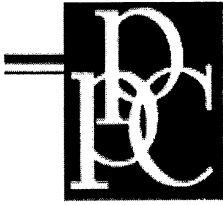
Sincerely,

Gary Long
Assistant General Manager

/pb

c: Public Power Council
Ed Brost, Senior Account Executive, BPA

Attachment



Public Power Council

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

November 5, 2004

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

Dear Steve,

PPC's Executive Committee wishes you to know that public power is troubled by the policy direction that BPA has proposed for post-2006 utility conservation programs. Our position regarding the direction of BPA's conservation program seems to have been misunderstood, and we would like to clarify it.

We want the existing C&RD program to continue past 2006, with some minor enhancements. Consumer-owned utilities are not confident that BPA's proposed changes will bring about substantially more conservation in the region as called for by the Council and BPA, inasmuch as BPA would be cutting the cost (to BPA) of acquiring conservation by 40% and eliminating 2/3 of the conservation measures funded through the current C&RD. **We oppose lowering the funding level of the existing C&RD program and we support retaining the rate discount funding mechanism.**

Public utilities do not support BPA's proposal to change the existing C&RD program to a resource acquisition program for the following reasons:

- ✓ It lowers the regional incentive to achieve conservation, and shifts costs from BPA's rates to utilities' general funds. BPA proposes to truncate arbitrarily the \$/MWh of conservation to be achieved in order to bring the new C&RD in line with ConAug's targeted \$/MWh. This type of "cost cutting" threatens achieving the Council's goals, and creates an immediate cost shift to utilities customers. This may help BPA, but it does not help utilities.

- ✓ Increased BPA oversight creates a more burdensome evaluation and reporting process and removes local control from utilities.
- ✓ Up to two-thirds of the C&RD measures would not qualify, making it harder for utilities (especially those serving primarily residential and commercial loads) to participate in the program and achieve the Council's goals.
- ✓ Decrementing load penalizes utilities for conserving energy and creates a disincentive for participating in this program.

The C&RD program is **not** broken. It is well liked and has been successful. Overhauling the program is unwarranted. We recommend modifying the existing C&RD program to incorporate "lessons learned" from our last three years working directly with customers in our local communities. Designing a conservation program needs to be directed by utilities, not BPA. We are the ones who are achieving long-term conservation on a large-scale basis. It is our customers, our money, our loads, and our rates that get credited or not.

BPA's proposal risks compromising our ability to achieve the Council's targets. Utilities are willing to do their part to achieve the ambitious conservation targets identified by the Council, but we need to develop regional policies and program structure that provide incentives that are strong enough to make it work. We believe that BPA has asked the region to put together a conservation program, after drastically changing the rules of the game, (BPA's "walls of the box"), without measuring or discussing the impacts of those changes and without some resolution of the decrementing issue.

We hope that the Conservation Work Group can be refocused to discuss what has been successful about the current C&RD program, and a way that we can enhance them to structure a conservation program that has value for us, our customers, and the region.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Clark Leone". The signature is fluid and cursive, written over a light gray rectangular background.

C. Clark Leone
Manager

cc: Michael J. Weedall
Paul E. Norman

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| RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 04.0230 |
| RECEIPT DATE: 11.23.04 |
| DUE DATE: Info Only |

R. Do4-0174

NOV 24 2004

November 22, 2004

Mr. Steve Wright
CEO/Administrator
Bonneville Power Administration
905 NE 11th Avenue
Portland, OR 97208

INFO ONLY: PS-6, cc: FO3, DC/Wash, DR-7, L-7,
P-6, MWeedall-PN-1, HGoodwin-PS-6,
PDowty-PL-6, GKuehn-DM-7, CCuster-DR/WSGL,
RSwedo-DR-Spokane, JLebens-PSW-6



Washington
Public
Utility
Districts
Association

411 Fourth Ave.
Suite 810
Seattle, WA 98101
206 682-3110
Fax 206 682-3913

Dear Steve,

As you are aware, on July 7, 2004, the Bonneville Power Administration published its draft Regional Dialogue Policy Proposal and distributed it to the region for comments. WPUA submitted comments thanking BPA for soliciting customer input through this process. On October 21, 2004 BPA extended the comment period until November 12 for four issues: 1. Service to Direct Service Industries; 2. Future Service to Customers with 5-Year Purchase Commitments; 3. Product Availability; and 4. New Publics

This letter pertains to Issue 1, Service to Direct Service Industries (DSI), upon which WPUA took no position in our filed comments. The original proposal solicited comments on, among other items, a proposed amount of 500 aMW, whether the benefits, if any, should be in the form of power or financial benefits, whether DSIs should become customers of public utilities as part of the resolution of the DSI question, and how the new large single load (NLSL) policy would have to be amended to accommodate that possibility, as stated in your letter of February 27, 2004 to regional stakeholders: "The draft policy statement will also address treatment of new large single loads, including treatment of former DSI loads that may become loads of public utilities".

In reviewing the submitted comments on DSI treatment, we have taken note of several submissions, including from members of our Congressional delegation and state legislatures, ICNU, Alcoa, and Snohomish PUD among many others, asking for a creative solution that could provide some level of benefits while not penalizing the existing customers of BPA. We also note that 7 DSI facilities filed comments requesting up to 948 aMW, substantially more than the 500 aMW proposed, leading to a second question of distribution of benefits if indeed they are granted.

Additionally, if the ROD were to require that benefits, if any, were to include a provision that DSIs take power from public utilities, then, according to DSI filed comments, potentially at least 5 WPUA members could be affected, perhaps either Whatcom PUD or Snohomish PUD for Alcoa's Intalco works, Chelan PUD for

Wenatchee Works, Klickitat PUD for Golden Northwest Aluminum, Clark Public Utilities for Evergreen Aluminum, and Clallam PUD for Port Townsend Paper, while other WPUDA members have expressed support for providing only surplus firm power or service from their local public utility on terms equivalent to other industrial customers and opposition to any augmentation of the federal base system or any financial benefits.

Given the impact on the region and on our members from the outcome of the ROD, we are asking you to act favorably upon at least one comment on the record, RD04-0153, from Snohomish PUD requesting a 90 day delay on issuing any ROD on DSI benefits. We further request that BPA convene a workgroup, similar to the workgroup convened to make recommendations on the Proposed Post 2006-Conservation Program, to attempt to reach some semblance of resolution of the DSI issue. Should you agree, WPUDA will offer to work with BPA to facilitate such a work group. WPUDA is also currently working on holding a DSI benefits workshop for its members that would include the filed comments and the PPC cost analysis of proposed benefits to better educate our members on the wide range of issues surrounding the DSIs and their benefits and costs to the region.

We recognize the unusual request that we are making of you, but given the impacts on the region from any decision regarding the DSIs, we believe, and hope you agree, that it is worth investing additional resources, in a limited time frame, to bring regional stakeholders together in an attempt to reach a framework agreement to move forward.

Thank you for considering this request.

Sincerely,



Steve Johnson
Executive Director

SJ/sw

cc: Senator Maria Cantwell
Senator Patty Murray
Congressman Rick Larsen
Senator Ron Wyden
Congressmen Earl Blumenauer
Jerry Leone, PPC
John Saven, NRU
Ken Canon, ICNU
Jack Speer, Alcoa
Don Godard, OPUDA
WPUDA Managers
WPUDA Executive Committee