

CON-016



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Board of Commissioners

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General Manager

Brian L. Skeahan

May 9, 2008

**Via E-Mail**

Mr. Mark O. Gendron  
Vice President, NW Requirements Marketing  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208-3621

Re:    Comments on Regional Dialogue Contracts

Dear Mr. Gendron:

Cowlitz continues to convey our comments in the various BPA contract and Tiered Rates Methodology workshops, as well as through direct correspondence with our Account Executive. These comments are not exhaustive and do not represent all of the concerns we have already raised in these forums. Most, if not all of the comments here have already been brought up in both venues. However, a number of these concerns have yet to be resolved or adequately addressed in these forums. Consequently, these comments mainly address areas where we understand there to be little progress through the various workshops to date, unresolved issues, unanswered questions or where Cowlitz still has significant concerns about what may be issues unique to Cowlitz.

Cowlitz has the following concerns with the Draft Load Following Template. These comments should be read as applying to the Load Following, Slice as well as Block contracts to the extent the Slice and Block contracts have the same or similar contract terms and conditions as the Load Following Contract:

- 1)    New Large Single Loads are not adequately addressed in the contract in a way that would allow a customer to bring in a non-federal resource to serve a New Large Single Load (NLSL). Not all NLSL consumers operate perfectly flat and the draft contract does not recognize, nor allow for this. In particular, the resource declaration parameters are far too restrictive for NLSL resources. It is imperative that customers have the ability to synchronize resources dedicated to serve an NLSL with the NLSL load. They need to allow a Customer to bring in a Firm or Non-Firm resource to serve NLSL loads, in any variable shape necessary, at virtually any time, with zero notice period. They need to allow a Customer to remove an NLSL resource with zero notice period if the NLSL load is reduced or ceases operation. The Contract needs to allow flexibility such that the NLSL end-use consumer and the utility Customer have the freedom to tailor a supply that will allow the consumer to minimize their market price exposure and that fits the business needs of the consumer. However, loads very seldom, if ever, perfectly match the resource prescheduled to serve it. There needs to

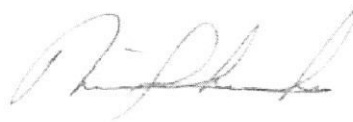
be recognition of this in the contract, which should contain provisions to handle minor mismatches in prescheduled power supplies for an NLSL and the NLSL load.

- 2) The draft contract, as written, seems to require Customers with consumer-owned generation to sell that generation into the market and not apply it to load. We understood there would be a one-time election to either dispose of such generation into the market or use it to serve load. The Draft Contract does not allow this choice as a practical matter. The contract allows a Customer to apply generation to load if they declare exact amounts ahead of time and for long periods of time. This is simply not possible for co-generation resources that generate more power when the consumer's plant production (and load) increases, and vice versa. If the intent is to allow a legitimate one-time election of either applying the generation to the consumers load or selling it into the market, then the Draft Contract needs to be revised to recognize that Customers will not, as a practical matter, declare specific long-term resource amounts and thereby take on the risk of having to support and back up those long-term resource declarations regardless of the operating status of the consumer. As is the case with resources dedicated to serve NLSLs, the contract must contain provisions to sync up consumer-owned resources with the loads of the consumers owning the resources.
- 3) The Draft Contract indicates that if the Customer is a "Transfer Customer", it will be required to assign its scheduling rights to BPA. Cowlitz has a very small transfer load that is less than 1% of our total load. BPA has indicated in various forums that even this insignificant transfer load would result in Cowlitz being classified as a "Transfer Customer". Customers such as Cowlitz with minute transfer loads should not be required to assign scheduling rights to BPA.
- 4) There are a number of areas in the contract where BPA has a "unilateral right" to modify the contract or otherwise perform actions without Customer concurrence, and in fact without even so much as a test of reasonableness. We believe many, if not all, of these areas should be modified to require Customer agreement, or at a minimum, a level of "reasonableness" should be a required test.
- 5) The Draft Contract discusses the possibility of contractually "removing resources". While we understand the rationale for specifying that BPA will reduce Tier 2 purchases before removing resources, we believe that specifying a specific order of resource removal creates a number of unnecessary issues. For example, the order of resource removal appears to require that an NLSL "Unspecified Resource" be removed second in order, only after BPA Tier 2 power has been removed. This should be revised. The Contract needs to recognize that if a Customer has a New Large Single Load, removal of the NLSL Unspecified Resource may not be possible or desirable regardless of whether or not a Customers load is or is not above the RHW. BPA and Customers must give significant additional thought to how resources dedicated to specific consumer's loads are to be treated. We think that it may be more appropriate to specify rules for removing resource amounts rather than trying to specify specific resources.

- 6) The Conservation and Renewables Section seems to require that Customers provide very specific Renewable Resource information to BPA, regardless of the disposition or use of the resource, or whether or not the resource ever has or ever will serve regional load. In addition, it requires that information be provided to BPA on any Customer REC purchases. We question whether this is more information than is really necessary to administer this Contract, particularly considering our understanding of BPA's requirement to be the "provider of last resort" does not address Renewable Energy Credits.
- 7) Section 8 of Exhibit A includes a note that the following information is needed for WECC reporting standards and Canadian Treaty obligations. If BPA is assuming WECC Standards reporting responsibility for this information, we believe the Customer Delegation Agreements should also appropriately reflect the fact that BPA is taking on this responsibility.
- 8) Cowlitz currently has a contract to purchase the BPA Storage and Shaping product through 2016 for a wind resource. The resource declaration requirements apparently do not allow us to bring the "stored and shaped" power from this product to load without both "dedicating" the resource and paying for Resource Shaping Service. Either "stored and shaped" generation should be allowed to be applied against load without having to declare pre-determined declaration amounts, or BPA should allow Customers the choice of terminating any existing "storage and shaping" agreements.
- 9) Exhibit H, Section 3 says that by April 15<sup>th</sup> BPA shall transfer to Customer its pro rata share of Tier 1 RECs. As we understand it, this will not allow at least some of these RECs to be Green-e certified, as Section III(b) of the Green-e National Standard Version 1.5 states that "A Green-e certified product may include only renewables that are generated in the calendar year in which the product is sold, the first three months of the following calendar year, or the last six months of the prior calendar year. We request this Section of the contract be revised to allow the RECs to be eligible for Green-e certification, as well as current northwest state RPS requirements.

We appreciate the hard work and significant progress you and your staff have already made and this opportunity to submit comments on these draft contracts. We look forward to working through these issues with you in the following weeks.

Sincerely,



Brian L. Skeahan  
General Manager

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