

CON-075



SPRINGFIELD UTILITY BOARD

1000 GLENN 250 A Street, PO Box 300 Springfield, OR 97477-0077 Tel 541.746.8451 Fax 541.746.0230 TDD 541.744.3659 www.scbutil.com

October 10, 2008

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

Re: Increase in Slice Product Offering (Submitted Via E-Mail)

Dear Mr. Wright,

It is Springfield Utility Board's understanding that BPA has decided to increase the amount of Slice product offered to customers under the new Post-2011 power sales contracts. This increases the overall cap of the Slice product from 1,850 aMW to 2,000 aMW. SUB views this as a material change to the balance of interests reached through Regional Dialogue and other discussions.

While BPA may have represented this as a compromise to meet demand for the Slice product, the additional amounts of the Slice product peel away the flexibility of the BPA system to follow load in the future.

BPA appears to be falling into the trap of oversimplifying the impacts of its decision in terms of dollars and cents, rather than using "dollars and sense". Decreased flexibility to follow load means that BPA must go on the market to balance the system. BPA is trading cost-based flexibility and in turn exposing Load Following customers to market-based costs to follow load. BPA appears to be treating the lost flexibility as an afterthought rather than an issue that is becoming increasingly critical. There is only so much flexibility to go around and BPA unilateral decision is very disconcerting. In essence, BPA has just increased costs for the Load Following product and increased our rates. SUB believes BPA is not fully explaining the breadth and scope of its decision.

SUB will support the modification to increase the cap on Slice sold from 1,850 aMW to 2,000 aMW only if the incremental increase (150aMW) is treated as a system obligation for purposes of the hydroelectric system operations being used to follow Load Following customer load and the this system obligation is set at cost-based rates. This protects the Load Following customers from BPA's last minute decisions that change the product landscape for all customers.

Regards,

Jeff Nelson
Springfield Utility Board

cc: via e-mail Bob Linahan (SUB), Tina Ko (BPA), Geoff Carr (NRU)