



# BENTON RURAL ELECTRIC ASSOCIATION

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Paul Norman Senior Vice President, Power Business Line  
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June 13, 2005

## **Re: Benton Rural Electric Association's (Benton REA) Comments on BPA's Long-term Regional Dialogue**

Dear Mr. Norman:

The changes being contemplated to the way BPA serves its customers in the regional dialogue process are not merely modest revisions to business as laid out in the Pacific Northwest Electric Power Planning and Conservation Act ("Regional Act"). Rather, they are fundamental and far-reaching changes that, if implemented, will abandon all of the major tenants of the Regional Act.

For example, the proposal to shift to preference customers the primary responsibility to acquiring incremental power supply, in lieu of BPA doing so, is contrary to the major assumption of the Regional Act that BPA would procure resources to *serve* regional load growth. Similarly, the proposal to charge preference customers the embedded costs of the Federal base system ("FBS") for power from the existing FBS, and the incremental costs of power supply in excess of the FBS would be charged to those customers who have load growth, runs counter to the basic premise of the Regional Act - that the costs of incremental resources needed to serve preference customer load growth would be melded with the cost of the existing FBS. Further, the proposal to provide "benefits" to investor owned utility ("IOU") customers of BPA based market costs of power, rather than using the "average system cost" of resources of such utilities runs contrary to the express provisions of the Regional Act. It seems that implementing a methodology that is contrary to the Regional Act is extremely risky and would appear to violate federal law.

### **Cost Control**

Discussions on the topic of cost control have failed to produce an acceptable resolution. It is Benton REA's recommendation that BPA's costs associated with output of the hydro projects should be indexed to the mid-Columbia hydro projects on the Columbia River and those BPA costs would be capped at the indexed amount.

### **Exchange Rights of Customers**

Concerning the issue of preference customer exchange benefits. Benton REA does not have any interest in ignoring exchange benefits that it's members may have a right to pursuant to Benton REA's ownership in Power Resource Cooperative (PRC) and the Boardman coal fired facility. The resource decisions that were made in the late 70's in response to BPA's Notice of Insufficiency cannot be ignored nor can Benton REA's right to participate in the Residential Exchange program under the Regional Act.

Also notable were the residential exchange issues that were not raised by BPA. The first of these is the treatment of the section 7(b)(2) rate test. This was the major protection provided to preference customers in the Regional Act, and is directly implicated by any proposal to deal with the benefits available to residential and small farm customers of IOUs. While ignoring this provision might be convenient, the fact is that it is a part of the existing statutory framework, and it must be dealt with directly if the changes contemplated for BPA are to be durable.

### **General Transfer Agreements**

The use of general transfer agreements will be an issue in any change to BPA's long-term role, since all preference utilities will require equitable access to the Federal transmission system for non-federal power. Absent such access, these preference customers will be seriously disadvantaged by the proposed change to BPA's long-term role. This will require thoughtful discussion since some IOUs have taken the view that the current transfer agreements do not cover non-federal power deliveries.

### **Product Availability**

All products should be available to all preference customers of BPA. It is not acceptable for BPA to limit the number of customers who should have access to the "Slice of the System" contracts. If the products that BPA is offering are priced fairly, no particular product should have limited access.

Sincerely

Charles L Dawsey  
General Manager