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BY ELECTRONIC MAIL

Bonneville Power Administration
Post Office Box 3621
Portland, Oregon 97212

RE: Comments on the Regional Dialogue Process

Gentlemen:

The members of WMG&T appreciate the opportunity to comment on the portion of the Regional Dialogue process to determine the long-term future of Bonneville. The members of WMG&T, who serve over 100,000 consumers in Western Montana, purchase all or the majority of their power from Bonneville. These members expect to continue to purchase all or the majority of their power from Bonneville at the conclusion of their current contracts in 2011, so the opportunity to purchase power at the lowest possible cost-based rate is vitally important to them.

WMG&T has participated in numerous discussions held by the groups with which it and its members are affiliated, including the Public Power Council, NRU and the Joint Customers. As such, we are generally supportive of the positions put forth by these organizations, especially NRU and PPC. At the same time, we also find ourselves willing to endorse a more detailed version of an allocation proposal than these groups have so far been able to adopt.

Additionally, WMG&T has already commented on several of the questions raised by Bonneville and we will not repeat our positions in this document. Particularly on issues of service to the DSIs, and conservation & renewables, our previous comments still stand.

Service to Public Utilities

WMG&T members have been actively engaged in the discussions regarding future Bonneville service to public utilities for a number of years. Those discussions have proved fruitful in many areas and have recently been significantly aided by the participation of Bonneville staff. The addition of Bonneville staff input has been extremely useful in advancing the proposal developed within public power. We remain optimistic that a more detailed proposal can be forwarded by public power to Bonneville in the near future. That said, there are several issues that must be overcome before additional progress can be made. These issues include an apparent desire to revisit the allocation mechanism itself, the residential exchange for public utilities, and the lack of significant progress on cost control.

Despite having reached agreement almost a year ago on the mechanism for allocating the FCRPS, some public power entities apparently want to now revisit that compromise. This desire to revisit previously adopted positions could well be fatal to the entire allocation exercise. The

current mechanism was developed after a series of very difficult negotiations that involved a wide variety of interests. All sides had to modify their positions so that an agreement could be reached. The final mechanism was adopted by PPC's Executive Committee and provided to Bonneville. To now to revisit that mechanism would essentially gut this past year's progress on allocation.

The second major issue concerns the residential exchange program available to public utilities. Some existing public utilities have expressed a desire to keep open the option of melding the cost of their future resources with the PF rate through the residential exchange post-2011. This desire is completely antithetical to the principles underlying the concept of allocation. In order for the allocation process to be successful, all existing public utilities will either need to contractually agree not to exchange future resources or a mechanism must be developed that protects those public utilities that voluntarily give up their exchange rights from the costs imposed by those that refuse to give up those rights. This latter mechanism may well have to be developed anyway as any new public utilities will have the legal right to participate in the residential exchange, even if incentives exist to avoid that participation.

Finally, more progress will be necessary on cost control. While there have been some discussions with Bonneville staff on the issue, unlike the similar discussions regarding allocation, little progress has been made. We seem to be at an impasse where the customers say more must be done and the Bonneville staff say no more is possible without violating Constitutional law or the Administrator's discretion. The recent Power Function Review (PFR) process was an excellent exhibit of transparency and openness, and the Bonneville staff did a good job of responding to requests for information. It will not, however, suffice to offer only transparency if customers are expected to sign 20-year contracts. A far more rigorous approach, including potential load withdrawal, will be necessary if customers are to be expected to sign long-term agreements. Faith-based cost control will not be sufficient.

Slice Product Review

While we will be providing comments on the Slice product in response to the draft Slice report, we offer several initial comments here. First, we agree that a total review of the Slice product is appropriate prior to offering new contracts for the post-2011 period. The initial Slice product was an experiment. No non-Slice customers were allowed meaningful participation in the design of the current Slice product or the Slice contract, a situation that cannot be repeated. Second, until more analytical work on the impact of the current Slice operations can be conducted, it is impossible to truly judge the impact of Slice on other customers. There is also no question the Slice product has created huge tension between Bonneville, Slice and non-Slice customers. Finally, while it appears likely that Bonneville will offer a Slice-type product post-2011, there is no reason that the current definition of the Slice product or the operational flexibility associated with it must remain constant. This is the appropriate opportunity to revisit the entire Slice product.

Resource Adequacy

The members of WMG&T agree that it is important for the region to look at the issue of resource adequacy given the potential for a larger number of utility systems obtaining their own resources in the future. We disagree, however, that it is possible to conclude at this time that a contract provision regarding resource adequacy should be added to any future Bonneville power sales contracts. Much more discussion is necessary before a conclusion like that can be reached including: What is an appropriate resource adequacy standard? Who is responsible for meeting that standard, the load serving utility, the resource provider, the control area operator or some other entity? Are existing mechanisms and standards inadequate? How big is the problem likely to be?

WMG&T has agreed to participate in the upcoming Power Planning Council and BPA process. We believe that is the appropriate forum for the discussion of resource adequacy. Any decisions about potential contract provisions prior to the conclusion of that process are premature.

General Transfer Service

The General Transfer Agreements (GTAs) are of the highest importance to the members of WMG&T. We were extremely pleased to participate in the recent GTA process that resulted in new 20-year agreements with the Bonneville customers that benefit from the GTAs. We support the language in those new contracts that calls for a separate process to deal with the questions of non-federal deliveries using the GTAs, quality of service, etc. We plan to actively participate in that process.

Thank you for the opportunity to comment on the long-term Regional Dialogue process.

Very truly yours,

/s/

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Manager

cc: WMG&T Board of Trustees
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