

**Oregon Municipal Electric
Utilities Association
(OMEU)
P.O. Box 928
Salem, OR 97308**

Elliot Mainzer
Acting Vice-President Bulk Power Marketing
Bonneville Power Administration
c/o Public Affairs Office – DM-7
PO Box 14428
Portland, OR 97293-4428

RE: BPA's Renewable Rate Credit Proposal

Dear Mr. Mainzer:

Oregon Municipal Electric Utilities Association (OMEU) appreciates the opportunity to comment on BPA's proposal for a Renewables component of the Conservation Rate Credit Program. OMEU members are all full or simple-partial requirements customers of BPA. We would like to thank BPA staff for their willingness to work with us and other interested parties as part of the Renewables Focus Group.

Given the constraints established under the Conservation Rate Credit in order to meet the NW Power and Conservation Council's conservation targets, the draft Renewable Rate Credit (RRC) is responsive overall to the concerns we raised during the focus group process. We asked for a renewable option similar to the current C&RD approach. We wanted to retain a simple, renewable product from BPA that would allow small, full requirements utilities to take advantage of this credit. This approach is included in the proposal. We therefore recommend inclusion of the RRC in the Conservation Rate Credit for the 2007-2009 rate period.

Again, given the need to meet the Council's conservation target, the proposed \$6 million cap for the renewables credit is probably necessary. A pro-rata reduction if total claims exceed the cap may be the only way to deal with that situation should it occur. We support an exemption from that reduction for very small utility customers 7.5 aMW or less in load. However, we are also concerned about small and mid-sized utilities with little commercial/industrial load. They may have fewer available conservation resources under the Council's cost-effectiveness test and may look to the RRC as a key component of their overall program. BPA should take this into account in determining how the reduction will take place should claims exceed the cap.

We support inclusion of new solar water heaters and new PV installations in the renewable rate credit since they are not eligible under the conservation rate credit.

Most importantly to OMEU members, we support eligibility of renewable purchases from BPA as outlined in Section 5.10. Eligible purchases can include Environmentally Preferred Power (EPP), Alternative Renewable Energy (ARE) and Renewable Energy Certificates (RECs). Since BPA will invest the green energy premiums associated with these products in new renewable energy facilities or programs, 100% of the premium associated with these products is eligible for the RRC. These purchases will not cause a reduction in a utility's net requirements.

One area of concern we have with the proposal is the requirement that only incremental renewable facilities or purchases will be eligible for the rate credit. That means that any activities required by law such as through a state renewable portfolio standard would not be eligible. Such a restriction is perhaps livable given this particular rate credit structure and the short rate period involved. However, we are concerned about the precedent established here. As full or simple requirements customers of BPA, it is essential that BPA retain products and programs that allow OMEU members to meet State requirements or laws in the future. This will be particularly important in subsequent rate periods and the post-2011 contracts. We will want to discuss this issue with you further to ensure that Oregon publicly-owned utilities are not penalized in the future.

Thank you for the opportunity to comment.

Sincerely,

Tom O'Connor
Executive Director