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STATE OF WASHINGTON

## WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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October 18, 2002

Mr. Steve Wright, Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208

Mr. Larry Cassidy, Chairman  
Northwest Power Planning Council  
851 S.W. Sixth Avenue, Suite 1100  
Portland, Oregon 97204

Re: In Support of the "Global Settlement" Process

Dear Mr. Wright and Mr. Cassidy:

The Northwest Power Planning Council and the Bonneville Power Administration (BPA) have initiated a public discussion for how BPA should market the electricity and distribute the costs and benefits of the Federal Columbia River Power System (FCRPS) in the Pacific Northwest after 2006. We commend you for convening a public discussion on a topic of this importance to our region.

One can hardly over-estimate the significance of BPA's role in the managing and marketing of FCRPS's massive resources to the economies of Washington state and the Pacific Northwest. We in this region owe a considerable debt to the forward-looking actions of those who decades ago planned and built a system that today delivers such important benefits. Following the example of our predecessors, we must continue to hold fast a body of policy and law that guides BPA to operate this valuable system in manner that broadly spreads its benefits through the region, and that preserves and enhances the non-power values of the Columbia River. As you consider proposals, we urge you to keep this long-term view in mind.

In response to your call for proposals, the investor-owned and preference utilities have offered a joint proposal on the long-term allocation of power produced by the FCRPS and the future role of BPA<sup>1</sup>. We believe the utilities' proposal is a very positive development. The proposal is a

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<sup>1</sup> *Joint Proposal of the Northwest Utilities. The Future Role of BPA Regarding Power Supply.* Submitted by letter dated September 16, 2002, to Stephen J. Wright and Frank L. Cassidy.



framework that can, in our view, bring substantial and long-term benefits to Washington State and the region.

The proposed framework would:

- 1) Settle long-standing regional disputes about allocation of the benefits of the federal power system.
- 2) Create a common objective among investor-owned and public utilities to secure, defend, and maximize for the region the benefits of the federal power system.
- 3) Preserve and stabilize BPA's ability to fulfill statutory obligations, including: repayment of Treasury and third-party debt obligations, funding of fish and wildlife protection and mitigation, and regional support for conservation and renewable resources.
- 4) Better align the benefits and risks facing BPA and its customer retail utilities, by making utilities responsible for managing the risks of power supply necessary to augment their share of the FCRPS in order to meet their full load and load growth.
- 5) Permit those utilities ill-equipped or unable to shoulder power supply risk to elect to rely on BPA to manage their power supply and meet their full requirements in return for the utility's bearing the costs of this service.
- 6) Ensure that federal non-power obligations affecting the FCRPS operations are met before the allocation of power "slices."
- 7) Reduce BPA's need to incur the substantial risks attending power acquisition and also minimize concern about BPA dominating the wholesale market by reducing the magnitude of buying and selling it must do in that market.
- 8) Allow BPA and the region to focus on operating BPA's finite resources and meeting its obligations as efficiently as possible.
- 9) Resolve outstanding litigation related to the past subscription process and the 2001 power contracts.

Given the historical record of regional debate on these issues, we commend the broad and diverse set of BPA customers that have come together to develop this proposal. We are encouraged by the creative progress and constructive effort evident in this forward-looking proposal. Moreover, we understand that the utilities have been responsive to concerns and comments received from BPA and have modified and refined their proposal accordingly. We are also encouraged that the utilities have worked with other important regional parties and interests to include in their proposal an even broader set of interests.

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As this proposal evolves, we hope that BPA and the Power Council will give it serious and careful consideration. At this point we believe the customer proposal is headed in the right direction and deserves the region's support. However, the details will be very important, and close scrutiny will be necessary to ensure that benefits like those we list above can be achieved, while at the same time avoiding unintended consequences.

We offer our help, to the degree consistent with our own obligations and regulatory role, to the Northwest Power Planning Council and BPA as you evaluate the future options for how best to market the electricity and distribute the costs and benefits of the Federal Columbia River Power System.

Sincerely,



Marilyn Showalter,  
Chairwoman



Richard Hemstad,  
Commissioner



Patrick J. Oshie,  
Commissioner