Benton R E A
The Cooperative Way!

BENTON RURAL ELECTRIC ASSOCIATION

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November 12, 2004

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Council Chair Judi Danielson
Northwest Power and Conservation Council
851 S.W. Sixth Avenue, Suite 1100
Portland, Oregon 97204

Re: Draft Power and Conservation Plan

Dear Ms. Danielson:

The Benton Rural Electric Association (Benton REA) is a not-for-profit electric cooperative that has a Full Requirements contract with BPA through 2011. While Benton REA maintains membership in the Northwest Requirements Utilities (NRU) and the Washington Public Agency Group (WPAG), we have chosen to submit our comments directly on the recently released fifth draft of the Northwest Electric Power and Conservation Plan (Plan).

Since our primary interest is a stable cost-based power supply, our comments are for the most part targeted to those sections of the Plan that pertain to BPA.

Optimizing the Columbia River Hydroelectric Generation
At the onset, we are perplexed that the Plan does not address any issues of substance regarding the optimization of generation from the existing Columbia River Hydroelectric generation facilities. It seems ridiculous for the Region to spend hundreds of millions of dollars to develop renewable resources and conservation with questionable economics, when over 3000 MW of clean hydroelectric generation is available from existing hydroelectric generation facilities without so much as a dollar of additional expenditure. By simply revising the operation of the Columbia River system and the flow regimes, this 3000 MW of firm hydroelectric generation is at our disposal. If this generation was made available and added to the BPA Federal Base System, BPA wholesale rates could be immediately reduced over 30%. In addition, the green house gases (carbon dioxide) that will ultimately be an issue from newly installed gas generation plants can also be minimized or its affect on the atmosphere delayed. This 3000 MW of lost generation is substantial when compared to the current 7500 MW of generation now available from the BPA hydroelectric system. Obviously the change in river operations necessary to produce the 3000 MW of generation cannot be made without consideration of fish and wildlife issues. However, given the movement within the Region during the last few years, it appears that there is significant momentum to accommodate change to the river operations without disadvantaging the effective fish and wildlife programs.

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Management of the BPA Federal Base System
Another item for consideration in optimizing the generation from the BPA Federal Base System pertains to how it is administered. As a current Full Requirements Customer of BPA, we are particularly concerned that Regional efforts will ultimately dismantle the management of the system. We believe that there are efficiencies in maintaining a single operator of the FBS rather than parceling pieces of it out to any number of smaller entities for them to try to manage. The fact remains that the FBS is a coordinated system, and no matter what percentage of the output any entity might be assigned through allocation or a slice product, it is a coordinated system that cannot physically be operated any differently. If it is parceled out in some fashion, the disjointed management of many pieces will never approximate the efficiencies enjoyed by management of the whole.

Allocation of the FBS
While Benton REA is inclined to agree that allocation of the FBS system solves some problems, we are the first to acknowledge that allocation also creates problems. While allocation may provide clarity regarding the role of each utility in future power supply resource acquisition, it creates a problem regarding the disposition of a BPA allocation in the event of annexation or acquisition between BPA customers. We also do not believe that one should conclude that an allocation of the FBS necessarily results in a change of the management of the FBS resource. We would adamantly oppose the Allocation of the BPA FBS if it required each utility to then provide its own power management services.

Tiered Rates
As indicated previously, Benton REA has a Full Requirements contract with BPA through 2011 that ensures the lowest cost-based rate from BPA. As such, Benton REA is not inclined to forgo this assurance without serious consideration. At this time, we are not supportive of Tiered rates, but are open to participating in further discussion regarding allocation of the BPA FBS, if the management of such allocation does not diminish the current operating efficiencies that are apparent from managing the system as a whole.

IOU Benefits
We do not support any continuation of the IOU residential exchange benefits unless such are clearly offered pursuant to the Regional Act. We do not support continued benefits to the IOUs in the form of a settlement that does not include strict adherence to statutory directives as set forth in the Regional Act. In addition, we do not support any exchange benefits transferring to an entity that may purchase IOU service area unless the new entity in and of themselves qualify for such benefits under the criteria set forth in the Regional Act.

DSI Service
We do not support any continued service to the Direct Service Industries. There is no statutory requirement for BPA to provide service to the DSIs. It is absurd to suggest that BPA should augment the output of the FBS at the expense of other BPA preference customers. One could argue that such action is in violation of statute The regional ratepayers have already contributed millions of dollars to the DSIs in a time when it is clear that these industries are no longer economically viable in a global economy. The millions of rate payer dollars that have subsidized the DSIs over the past four or five years hopefully has been used wisely to retrain workers and to help them position themselves to be valuable members of a new workforce. While we are sympathetic to the families whose primary source of income was at one time derived from the DSI industry, we must also be aware of the many households that are struggling from other local business closures that have not enjoyed such a high profile in the political community.

Long Term Contract Term
While the concept of a long-term 25-year wholesale power contract sounds attractive, without provisions to ensure adequate cost control of BPA and programmatic costs it is unlikely that Benton REA would sign. Over the course of the last few years it is clear that there are multiple interpretations and conflicting opinions of what constitutes cost-based rates. Without meaningful cost controls and a mechanism to hold BPA accountable for costs, it is unlikely that efforts to consummate long-term power supply contracts will be successful. In addition, given the controversy over how to achieve accountability and control over costs it is unlikely that any real progress regarding new contracts can be made until at least October of 2008.

Cross Subsidization
While we understand the concern about cross subsidies, we caution the Council to differentiate between subsidizes and those programs that are provided for statutorily as part of the Regional Act such as the Low Density Discount. In addition, some of the programs that are being characterized as subsidies are memorialized within existing contract language. Absent breach of contract by BPA, these program benefits will undoubtedly be expected to continue for the term of the contract. In recognition that these programs are often mandated statutorily or defined contractually, we would urge the Council to evaluate each program on a case by case basis and reach sustainable conclusions, rather than recommending elimination of subsidies carte blanc.

Conservation Resources
While cost-effective conservation is important, efforts to that end should not overshadow efforts to optimize the generation available from the Columbia River hydroelectric generation system. The 3000 MW of energy available from the BPA FBS simply by revising river operations is undoubtedly the most cost-effective energy.

With wholesale power rates in the Region at an all time high and given that Washington State has fallen from being ranked as the 3rd lowest cost state in electric rates to over 20th in the nation, any additional incremental costs for conservation are imprudent.

Benton REA will continue to resist any statutory mandates regarding conservation, or renewable energy.

Administrative Oversight
We acknowledge the oversight role that the Council has as set forth in the Regional Power Act, Section 6. However, we have interpreted the Council's comments in the Draft as suggesting their role is much broader and far-reaching. We believe the Council's role should be clearly limited to the review of BPA's power supply/conservation and fish and wildlife responsibilities. To suggest a broader role is not keeping within the statutory authority of the Council. In particular, we view our power sales and transmission contracts as bilateral agreements with BPA and would not support Council involvement in these interests.

Previous Comments
We would also respectfully request that our comments, dated December 23, 2003, provided in response to the Council's previous request regarding "the Future Role of BPA in Power Supply" be considered in addition to these comments.

Thank you for the opportunity to offer our comments.

Sincerely yours,

Charles L. Dawsey
by KH.

Charles L. Dawsey
General Manager