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November 10, 2004

Mark Walker, Director of Public Affairs  
Northwest Power & Conservation Council  
851 SW 6<sup>th</sup> Avenue, Suite 1100  
Portland, OR 97204-1348

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Re: BPA C&RD Program Post 2006

Dear Mr. Walker:

On October 28, 2004, during a NWPPC public comment meeting, Benton PUD's Commissioner Goldsbury stated our utility's position on BPA's C&RD Program Post 2006. That position remains unchanged and is summarized as follows:

- The plan is very complex and hard to follow. Staff has been unable to verify the achievable savings potential. The plan needs to be simplified.
- Basic assumptions in the plan have not been clearly stated. Staff could not identify the basis used by the Council to determine the increased conservation target and participation levels, i.e. what is the basis for using an 85% penetration level?
- The conservation targets appear to be too aggressive and optimistic. The projected savings are most aggressive in the first 5 years of the plan with annual targets higher than the District's best year on record.
- Concerning the future role of BPA in power supply, Benton PUD recommends the Council encourage BPA to adopt the PPC allocation methodology without change.
- Concerning resource adequacy, public power and Washington PUD's have demonstrated through their actions that they are willing to step up and build infrastructure and generating resources. Benton PUD, Franklin PUD and Grays Harbor PUD have contracted long term for the output of 125 MW of capacity from an IPP and have built simple cycle CT's. Additionally, a group of Washington PUD's worked with Energy NW to build the 9 Canyon Wind project, including the firm transmission from the resource to their loads. This was done without the existence of resource adequacy requirement or the need for a system benefits charge.

The conservation targets provided in the 5<sup>th</sup> Power Plan do not appear to be realistic or achievable as indicated by our reasons stated above.

As a matter of additional information Benton PUD has a strong conservation ethic and has championed conservation and renewable resources for over two decades. Our Commission has a history of commitment to aggressively promote and support these programs. Our utility has achieved over 139 million kWh in conservation savings since 1982. This figure excludes over 151 million kWh in savings achieved by the irrigation scheduling program. We place a high value on conservation and renewable resource development as a public purpose and desire to maintain a responsive program in the future that meets the needs of our customers and the region. We have a strong interest in new technologies that are expected to result in additional energy savings and improved management of power resources.

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To this end we are currently developing a high-speed telecommunications network over our power distribution system so we are prepared to take advantage of emerging technologies as they become available. Additionally, this will assist our pursuit of new demand response technologies.

Based on recent discussions with BPA, it appears the C&RD Program in a post 2006 period may change significantly. Our understanding is serious consideration is being given to dropping renewable resource incentives, to reducing the number of conservation measures currently allowed by two thirds, reducing overall program funding levels by more than forty percent, and to decrement load to slice customers by the amount of savings realized. We are also under an impression that BPA would like to combine what survives the current C&RD Program with Con Aug.

To further complicate matters, we have experienced high retail rates for the last four years due to the 2001 energy crisis. This caused us to lose load and with our current power supply mix we expect to be long for the next 5 to 10 years. This is our circumstance as NWPC proposes a significant increase in post 2006 conservation targets and BPA considers major program and funding reductions. Our main concern is focused on how realistic is the Council's projected conservation potential and where will the funding come from when there is so much pressure on utilities to reduce their retail rates.

Sincerely,



Gary G. Long  
Assistant General Manager

/pb

c: Goldsbury, Revell, Johnson