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**Inland Power & Light Co. Testimony/Oral Comments
For Council's Hearing on the 5th Power Plan
November 17th, 2004**

Thank you for the opportunity to provide Inland Power & Light Co.'s (Inland) comments regarding the Council's 5th Power Plan.

Inland is a cooperatively owned electrical utility serving approximately 34,000 member customers in eastern Washington and northern Idaho. Inland's service territory is primarily rural with a low customer density of only 4 meters per mile of distribution line.

Inland is a full requirements customer of the Bonneville Power Administration (BPA) and over 50% of Inland's total cost of business relates to its power and transmission purchases from BPA. In 2003, Inland's peak load was approximately 150 MWs and its average annual energy load was 76 MWs. While Inland is one of the larger cooperative utilities in the region, we are relatively small compared to many other regional utilities.

Inland's view is that the hydroelectric projects of the Federal Columbia River Power System (FCRPS) are a highly valuable and renewable resources. We are greatly concerned about the cost and rate pressures on BPA, including those related to resource acquisitions and fish and wildlife expenditures. We fully support the Council's stated view that BPA's fish and wildlife responsibilities be fulfilled at as low a cost as possible to the region's consumers. We concur with the Council goal of preserving and enhancing the benefits of the FCRPS. Those benefits are vital to Inland and its members and is the key reason why Inland views BPA cost control as a critically important matter.

The 5th Power Plan is a far ranging effort, but Inland's comments are fairly narrow in scope. At this point, we are only prepared to make a limited number of comments. We do, however, fully support and concur with the comments on the 5th Power Plan submitted by Northwest Requirements Utilities (NRU), of which Inland is a member.

As you know, smaller requirements customers often do not have the resources to attend Council meetings and provide testimony. The forty nine utilities that comprise the NRU membership rely on that organization to

Fifth Power Plan/November 2004/Comments/094

represent their views on these important issues. These utilities account for approximately ¼ of BPA's public agency load and collectively have large voice. So, I hope that when you receive the letter from NRU, which has gone through numerous iterations based on its members' input, you will consider that the equivalent of 49 letters all expressing the same views.

Summary of Key Comments

- Inland agrees with the Council's conclusion that contractually defining BPA's future long term load serving obligation and any related resource needs is critically important.
- Generally, Inland supports the concept of "allocating" the output of the existing federal resources so long it is done on a fair, equitable and transparent manner based on the demonstrated net requirement of each preference utility. However, we have significant concerns in several areas as outlined below.
- BPA should only acquire additional generating resources in the amounts and on the behalf of those utilities that both want such service from BPA and are willing to commit to paying the related costs.
- It would be most inappropriate and unsustainable if the costs of some broadly defined role for BPA regarding conservation and renewable resource acquisition were only the responsibility of those that elect to place their load growth on BPA.
- BPA needs to be consistent with the resource acquisition provisions of the Regional Act and be guided by the Council's Power Plan.
- It should also be understood that the power acquisition preferences and needs of BPA's utility customers will greatly influence the amount and composition of any BPA acquired resources.
- Utilities should use the Council's Power Plan as a key source of information and guidance regarding the cost and risk associated with any type of resource.

General Comments

Generally, Inland supports the concept of “allocating” the output of the existing federal resources so long it is done in a fair, equitable and transparent manner. However, our support is contingent on the successful resolution of several issues.

First, we feel strongly that to achieve an equitable allocation, a new net requirements determination should be done for each utility as close as possible to the date of the implementation of new contracts. To base a far-reaching change in how BPA operates on forecasted data that is many years old simply does not make sense and will create classes of winners and losers in the allocation process.

Secondly, we are very concerned about the Council’s language dealing with cross subsidies. At 4 customers per mile, we struggle mightily to provide affordable service to rural communities. We hope that the Council is not recommending the elimination of the Low Density Discount or the Irrigation Mitigation Program, both of which are vital to the existence of these communities.

Additionally, allocation of the system should entail BPA only acquiring additional generating resources in the amounts and on the behalf of those utilities that both want such service from BPA and are willing to commit to paying the related costs.

BPA needs to be consistent with the resource provisions of the Regional Act and be guided by the Council’s Power Plan. However, recognizing the power acquisition and resource preferences and needs of its utility customers should greatly influence the amount of and composition of any BPA acquired resources.

Customer views and assessments regarding marginal resource supply and management should be critically important to BPA. BPA should not acquire additional resources that do not meet the criteria of its utility customers, i.e., those who will pay the costs of such resources. If there are no customers willing to commit to the purchase BPA acquired power resources, BPA should not acquire generating resources.

We are uncertain as to what the Council means when it indicates that a change in BPA's future role "does not alter Bonneville's responsibility for ensuring the acquisition of Bonneville's share of all cost effective conservation and renewable power" identified in the Council's Power Plan. In a potentially allocated power supply world, we have concerns about how a conservation target for the region meshes with BPA providing load growth services for full requirements customers.

More specifically, we want to make sure that conservation targets for the region are spread over all of BPA's loads, and not disproportionately assigned to the full requirements pool that relies on the Agency for load growth.

It would be most inappropriate and unsustainable if the costs of some broadly defined role for BPA regarding conservation and renewable resource acquisition were only the responsibility of those that elect to place their load growth on BPA. In fact, if such a cost assignment occurred, it is unlikely BPA would be the supplier of choice for customers needing load growth service.

Conclusion

The answers for many resource acquisition, cost, and risk questions require that regional interests work together to find approaches that are both reasonable and commercially viable. The experiences of BPA and others regarding resource development and power purchases should be heeded. Ultimately, the governing Boards of individual utilities, or groups of utilities, will decide what resource or mix of resources is best suited for them.

Thank you again for the opportunity to comment on the 5th Power Plan.