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NOV 17 2004

November 15, 2004

Mr. Mark Walker
Director of Public Affairs
Northwest Power & Conservation Council
851 SW 6th Avenue, Suite 1100
Portland, Oregon 97204-1348

RE: Comments to Draft 5th NW Electric
Power & Conservation Plan

Dear Mr. Walker:

Thank you for the opportunity to provide comments on the Northwest Power Council's Draft 5th Power Plan. The draft represents the culmination of several years of effort by the Council and its staff to develop a plan for the Northwest's future electricity supply. While the draft is excellent in many respects, we feel the plan can be improved in some areas in order to reflect an objective perspective of the benefits of factoring additional coal-fired generation into the Northwest's electricity supply.

The TRRC is a proposed rail project designed to provide rail transportation access to the undeveloped coal reserves situated in southeastern Montana and to connect to the Spring Creek mine spur near Decker, Montana. The TRRC rail alignment also provides for flexibility in the siting of potential new generation in southeastern Montana. The TRRC has an approved rail alignment running from Miles City to two terminus points near Ashland, Montana. Terminus point #1 is located approximately 8 miles southwest of Ashland and terminus point #2 is situated southeast of Ashland near the center of the Otter Creek Tracts. A 41-mile extension of the rail from terminus point #1 to the Spring Creek mine spur was approved in 1996 by the Surface Transportation Board.

Currently, the TRRC has an application pending before the Surface Transportation Board ("Board") seeking to modify the southernmost 17-miles of the extension alignment approved by the Board in 1996. In October 2004, the Board released a draft environmental impact statement on the pending application. The Board's environmental review process is currently in the public comment stage with comments due by December 6, 2004. A final EIS and Board decision on the application is anticipated by the second or third quarter of 2005.

Fifth Power Plan/November 2004/Comments/069

Mr. Mark Walker
November 15, 2004
Page two

As noted previously, terminus point #2 on the approved Miles City to Ashland rail alignment is situated near the center of the Otter Creek Tracts. In April 2002 pursuant to the Crown Butte Exchange legislation, the Federal government transferred ownership of 533 million tons of low sulfur, high quality coal reserves in the Otter Creek Tracts to the State of Montana. Prior to the transfer the State of Montana held title to an additional 100 million tons of coal lying beneath State School Trust lands within the Otter Creek Tracts.

As a major stakeholder, Montana is aggressively pursuing the development of the Otter Creek coal assets for use in coal-by-car and coal-by-wire applications, including the potential for new coal-fired generation. During the 2003 Montana legislative session, the State of Montana passed legislation to fund development drilling, coal quality analysis and cultural surveys on the Otter Creek Tracts.

As a result of its rail development activity, TRRC market analyses indicates that additional coal generation should be taken into consideration in the Northwest Power Council's Plan in order to meet projected load growth. Discussions with the northwest market place indicate there are several regional utilities seriously interested in adding substantially more coal-fired generation than the 400 MW of coal-fired generation considered in the draft plan.

We believe the renewed interest by utilities in coal-fired generation is attributable to the uncertainty and risk associated with tight supplies of natural gas and significant price increases over the last few years. The construction of more gas-fired generation will likely further tighten gas supply and increase gas prices. Coal represents a secure, abundant source of fuel currently providing over 50% of the nation's electricity generation capacity and capable of providing a valuable low-cost addition to base-load generation and diversity of fuel supply. Clean coal generation technology, supported through the Department of Energy's Clean Coal Power Initiative, continues to improve plant efficiencies and emission controls.

The Northwest Electric Power and Conservation Plan should also take into consideration the development of new transmission capacity in order that northwest markets can avail themselves of new coal-fired power generation in Montana. We feel the economics of mine-mouth generation projects in southeastern Montana, incorporating reasonable transmission assumptions, are competitive with the coal-fired plant considered in the draft plan, i.e., eastern Washington, eastern Oregon, Alberta tar sands projects. We believe the plan should take into consideration the potential of southeastern Montana coal-fired generation using the same transmission assumptions applied to other plants currently considered in the plan.

Mr. Mark Walker
November 15, 2004
Page three

Coal generation has played an integral role in the Pacific Northwest's energy portfolio over the last 30-years and careful consideration of new investment in coal should be factored into the energy future of the Northwest.

Thank you again for the opportunity to comment on the draft Power and Conservation Plan.

Sincerely,

A handwritten signature in cursive script that reads "Douglas A. Day". The signature is written in black ink and is positioned above the printed name.

Douglas A. Day

cc. John Hines, Ed Bartlett