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4/21/04

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Dick Watson
Director, Power Division
Northwest Power and Conservation Council
815 SW 6th Ave., Suite 1100
Portland, OR 97204

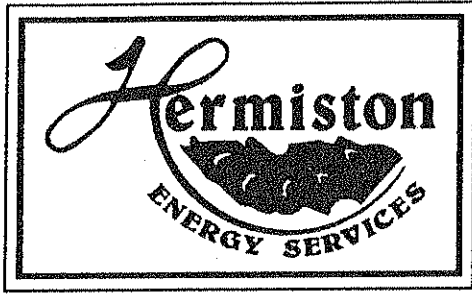
Dear Mr. Watson

Attached is my response to "BPA's Strategic Direction for the Future" which I think is also appropriate in the Council's request for public comment. Hopefully the region can reach some consensus on the many issues in due course so we can again have 20 year contracts that hopefully would give us some stability.

Russell Dorrان

Electric Utility Superintendent

APR 27 2004



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4/19/04

Mr. Stephen J. Wright
Administrator
Bonneville Power Administration
P.O.Box 3621
Portland, OR 97208-3621

Dear Steve:

I am responding to your request for feedback on "BPA's Strategic Direction for the Future".

In your document of March 2004 you made slight reference to the past and outlined some major changes in the future for BPA. As the old saying goes "The Past is Prologue" and having spent some 54 years associated with BPA in the Utility business (a 11 year hiatus during a retirement stint from 1990-2001 when major BPA changes occurred), I believe you are going in the wrong direction. Some of the old basic principles established in the beginning for BPA are now proposed to be abandoned and I believe will have a negative impact in its contribution to the overall economic growth of the region and associated social economic consequences.

If BPA has a responsibility for future power supply for its preference customers, as it has historically done in the past, then I think BPA needs to look beyond its own rate structure to the end retail rates of its preference customers. Its these end use retail rates that affect the region where economic and social responsibility exist and I believe BPA needs to share some of these responsibilities.

It is for several reasons as outlined below that I adamantly oppose the principle of allocating the federal base system to existing preference customers and future load growth be met with a tiered rate. This is abandoning the historic principle of a postage stamp rate.

Reason 1:

With tiered rates, over a period of time, disparity of retail rates start to magnify as a result of higher power costs for the fast growing utilities compared to the slow growing utilities when wholesale power rates are now maybe 60% or more of the total cost of service where in the past it might be 30%. There is always some disparity of rates because of differences in operating costs. The disparity of rates issue led to the passage of the Northwest Power Act which I believe has not been as productive as expected and could again force some type of legislation.

Reason 2:

Tiered rates might throttle economic growth, where electric rates is an issue, for small utilities such as HES because the impact of a large load on a small utility is much greater than for a large utility. An example would be that a 5 megawatt load on HES would amount to about a 25% increase impact on our present load at a higher rate wherein, for instance, for Benton PUD it might only be a 3% impact so they would be in a better position to adsorb the increase across their system. Competition for economic growth between small and large communities is strong enough already without adding a electric rate disparity issue, again leaving the small community in the most need, swinging in the breeze.

Reason 3:

An argument is being made that without a tiered rate of some sort, a signal is not being sent for conservation or curtailment to the end user. Electricity is not energy in itself but a transportation vehicle for energy being generated by water, coal, natural gas, oil, etc. and to my knowledge, I might be wrong, but these forms of energy are not sold on a tiered rate basis but on a market or contract basis. Thus electricity is being priced out of step with other energy sources----when I buy gasoline, I do not pay more for the last 10 gallons than for the first ten gallons.

So again for the above reasons and others, I adamantly oppose instituting tiered rates but as a minimum, hopefully a basic allocation of say at least 25 Average Megawatts for each preference customer at BPA's basic rate would be implemented as was the policy of BPA in the past. This, at least, would give a small utility a fighting chance to compete in the world of small utilities enhancing economic growth in their service areas where electric rates are an issue.

On the issue of fish mitigation, a provision of the Northwest Power Act that was an afterthought in the final push for the act that was finally passed at the end of 1980, I believe the provision that fish receive equitable treatment in relation to power has been more than met. An example in the positive direction in the balancing act would be the complete elimination of summer spill which apparently would have little affect on the survival of endangered fish. Its pretty hard to disconnect an unemployed customer because of non payment whose bill is probably 10% higher because of overzealous fish costs.

Since conservation efforts started in the early 80's I think BPA, Utilities, State Energy Policies, improved building codes, and other efforts have done a pretty good job in capturing a huge amount of wasted energy. Energy conservation is as much in the education of a conservation ethic in the minds of the public as the actual measures taken. We have many examples of the same size family in the same size house of one household using nearly one-half the energy of the other.

Finally, I recognize that BPA has been in the eye of the storm since the notice of insufficiency in 1976 because of rising power costs, the hydro-thermal program, the WPPS debacle, and many other events we would like to forget but that somehow the region can again have faith in BPA and its actions as it did in its first 40 years of history. It seems that in the recent past BPA has developed policies that divide the public utilities in the region by implementing programs such as early signers, slice rates, I.O.U. exchange rate calculations, different treatment of full requirement customers, etc. and that returning to a policy of supplying its preference customers with a postage stamp rate for its full requirement customers and policies that treats everybody the same.

Sincerely,

A handwritten signature in black ink, appearing to read "Russell Dorran", written over a large, circular scribble.

Russell Dorran
Electric Utility Superintendent