



Affiliated Tribes of Northwest Indians **Economic Development Corporation**

Proposal to: Northwest Power Planning Council and Bonneville Power Administration

Re: Regional Process Proposal

September 12, 2002

The Affiliated Tribes of Northwest Indians-Economic Development Corporation appreciates this opportunity to submit our proposal for the marketing of Federal Columbia River Power System power by Bonneville Power Administration beyond the year 2006. Our proposal is designed to be consistent with the five principles established for this proceeding:

1. The proposal preserves and enhances the value of the FCRPS for the Pacific Northwest.
2. Policy outcomes can endure under a range of political and economic conditions.
3. There are no additional risks for US taxpayers and Treasury
4. The proposal does not require legislative changes and minimize legal risks.
5. There is clarity regarding BPA load obligations after 2006.

In addition it seeks to strengthen our ability to meet legal obligations for conservation, renewables, fish and wildlife, treasury payments, and the reliability of power grid.

Other Tribal groups or Tribes may have comments or proposals different from this document. We encourage Bonneville and the Power Planning Council to seek their input through Government-to-Government discussions.

We are aware that a large group of the region's utilities have made a detailed proposal for Bonneville's power marketing activities. We have reviewed early drafts of this proposal. This document is not meant as a critique or response to that proposal, but represents a more general concept of how federal power could be marketed to better serve the region as compared to the existing marketing method. We assume that at a later date the Northwest Power Planning Council and/or Bonneville will respond to the region with their own proposal after reviewing all proposals, and will seek comments on that draft. We will provide our specific comments then. You will see that some of our proposals are borrowed from the customer ideas and from the ideas of Save Our *Wild* Salmon, and Northwest Energy Coalition.

Long-Term Vision

We encourage Bonneville to take a long-term vision. We have been a region with good utility planning, excellent electric service, and low rates. With proper long-term planning we can remain a low-rate, excellent service, environmentally sound utility region for the next seven generations years. As has been reported to the Northwest Power Planning Council and to Bonneville, new ways of operating a regional system are emerging which has less emphasis on large scale power and transmission projects, and more emphasis on conservation, distributed generation, and renewables. Properly sized systems are the best value as they are responsive to specific needs. Long term energy planning, and implementation of new ideas and both small scale technologies used on a wide spread basis and large scale technologies shared by many are critical to the planning effort. Due to the regional nature of the river resource, this planning function should be maintained at a regional level. Implementation of plans can also be done or at least

18130 Midvale Ave. N., Suite C
Shoreline, WA 98133
(206) 542-5115 • Fax (206) 542-4096
Toll Free (866) 222-ATNI

encouraged at the regional level. We do feel the current process for regional planning could be greatly improved and we encourage the Northwest Power Planning Council and Bonneville to open this discussion.

The long-term vision must consider the significant changes that are taking place and are being threatened in our industry. During this public "Regional Process" there is a consecutive national process being administered by the Federal Energy Regulatory Commission that will likely affect the nature of the power markets and transmission functions. These rulemakings and FERC requirements may or may not be fully applicable to our region, but it appears that those processes will result in a larger region than the Bonneville service territory as the "regional market" and it will be easier to move bulk power throughout the regional market. These changes are both positive and negative for Bonneville. The proposals made here should be considered in light of this shifting industry environment. We are concerned that good proposals made today will be irrelevant in five years.

Some of our specific proposals, made in light of today's energy industry, are as follows:

Minimize Purchases

In the next round of marketing, don't sell more power than the system can reasonably produce. Customers have considered dividing the FCRPS pro-rata and turning the responsibility of power purchasing to local entities. There is merit to this suggestion, but we do not support marketing the whole system in this way. There are too many other interests to be balanced against the minimization of purchases. We would suggest a limit on these slices of the system to 5000 MW, out of a total of 7070 MW, which is the system limit based on critical water capability. A very good portion of the system would then be carved out as customer slices, however another portion of the firm power system would be marketed more traditionally. Customers choosing the slice should not be allowed to receive power over and above their load, a number which would be agreed upon in advance. We do not want to encourage customer resale of preference slice power. Any power over the customer's stated load would be available to Bonneville to market as surplus power on a short term basis.

Bonneville should continue to market a full requirements product, and a block or partial requirements product as may be requested by customers who do not wish to purchase a slice of the system.

We support a power product which supports wind energy development and operation. A reasonable wind firming product, offered to preference and non-preference customers would encourage renewable energy development.

We also support a program encouraging wholesale customers to negotiate interruptible power contracts with their appropriate load. Certain residential customers may be willing to sign up for this type of service if it significantly lowered their power rates, and/or promoted environmental responsibility. If each Bonneville customer had 10% of their load signed up to be interrupted when prices reached a certain rate, or if water conditions met certain criteria, and every Bonneville customer has a base interruptible contract with Bonneville for 10% of its load, Bonneville's flexibility in an emergency would be greatly improved. Such a program may require new local switching devices or other technical considerations, however, it may be worth the initial capital investment if significant savings were shown.

We support long term (20 year) contracts for all these products. We also encourage Bonneville to honor existing contracts, including those that do not expire in 2006. Many contracts expire in 2012, and customers wishing to keep those arrangements should be able to do so and change to the other products available when their terms are up without any penalty, or threat to their preference status or preference rates.

Ancillary Services

Ancillary services should not be allocated, but should be offered at cost or at market prices (as bids to the RTO if that is instituted) and the proceeds should be credited back to the customers as a reduction in system costs.

**18130 Midvale Ave. N., Suite C
Shoreline, WA 98133
(206) 542-5115 • Fax (206) 542-4096
Toll Free (866) 222-ATNI**

Rates, Pricing and Safety Valves

We acknowledge that the power pricing will ultimately be the factor that encourages customers to purchase one product over another. For this reason we support different rates for different products and for different uses. A full requirements product should be sold at preference (lower) rates up to some reasonable capacity level consistent with historical service, then load growth or additional new load could be met at a reasonably higher rate. Customers that are not preference customers should always pay a higher rate for power and services than preference customers.

An interruptible power rate for preference customers should be lower than the preference rate. A wind firming rate should be set at an attractive rate to encourage wind energy development.

We believe that the system can be allocated but control of the system should not be transferred to the customers. We oppose any direct customer financial interest in river operations. With regard to the slice rate, we would like to place safety valves between their power payments, and the operation of the rivers. Some of those safety valves include charging a slice *energy* rate based on a pro-rata share of all of Bonneville costs, as offset by appropriate revenues. The slice product *capacity* rates should be based on environmental factors and river conditions and purposes. The structure of these rates would be designed to assure that the river is operated not at the behest of power customers and at the whim of the power markets, but for all the purposes the system was designed to meet. It must be designed so that Bonneville can continue to manage the system as a whole, and can continue to optimize the available water for most efficient use.

As another safety valve, we propose an environmental consequences component to the slice capacity rate. In the past, the rivers, and fish and wildlife have been the “shock absorbers” for emergency conditions. There has been no market signal associated with this problem. In an emergency, prices have gone up and up, then once an emergency is called and the river is operated to meet the emergency, usually at the expense of the environment, the emergency is mediated for “free” and power prices are stabilized. If an actual cost was associated with that use, its cost would be compared to other remedies and maybe another remedy would be more appropriate. While work is needed to design this rate, ideas include adding an environmental consequences charge to any violation of river operational criteria, or to low fish returns linked to power uses, or to cultural resources damage linked to power operations, or other such concepts. We want to reward good environmental decisions, and have a consequence for poor ones. These rewards and consequences will encourage the customers to act as stewards to the rivers even in difficult times.

We support the proposals of SOS/NWEC strengthen environmental responsibility and to strengthen the tribal voice on all decision making bodies involved in the river planning and river operations decisions. A tribal voice in the governance of these operations is important. We also agree that issues of river operational control should be enforceable by third parties.

Safety Net CRAC

While the timing of this suggestion is unfortunate, we suggest that a rate device similar to the Safety Net Contract Rate Adjustment Clause be included in all rates so that any threat of missing a treasury payment is minimized. This CRAC should be designed to be able to collect funds as they are needed (not only after a cash-flow crisis is over), and should be invoked in Bonneville’s discretion. The timing of Bonneville debts should be considered in its cash flow planning.

Good Water Year Savings Account

Good water years should assist the region in poor water years. A savings plan for utilizing extra cash generated in high-water years should be created to keep funds in reserve only for times when water levels are low or for power emergencies. A good water year savings plan will assist us in avoiding leaning on the river or harming fish and wildlife in the event of emergencies.

**18130 Midvale Ave. N., Suite C
Shoreline, WA 98133
(206) 542-5115 • Fax (206) 542-4096
Toll Free (866) 222-ATNI**

Cash Reserves

Cash reserves should be consistent with the amount of risk Bonneville will take in its marketing of federal power, and its rates structure. Reasonable cash reserves should be planned in each rate period. These cash reserves should anticipate that fish and wildlife restoration costs are likely to increase significantly in the next rate period.

Power Purchases

When Bonneville does have to purchase, and long term contracts are available at a reasonable long-term rate from power plant developers, those contracts are preferable to short-term market purchases. Bonneville should develop its own supplies, preferably from wind resources, backed up by hydro operations or gas fired generation, which is cost competitive to gas fired generation, and likely is a better long-term investment due to minimal fuel cost. Consideration of upgrades at the dams for better power production is also encouraged. We should buy generation facilities, not electricity, with our money.

IOUs

We support reasonable price supports for residential and small farm customers of the IOUs, so that they are treated in a manner not inconsistent with Bonneville customers. However, IOUs should not receive slices of the system.

DSIs

The Direct Service Industries have a history of moving on and off the Bonneville system to take advantage of low rates, creating a very difficult planning issue for Bonneville. They should now be offered only wind firming power to encourage them to construct wind farms. Many of the DSIs received large wind-falls from reselling federal power. These wind-falls should be reinvested in energy producing renewable projects. After the capital investment, their fuel costs will be non-existent. Bonneville and the region should not subsidize DSIs with low-cost federal power meant for preference entities. DSIs may also be offered interruptible power at a rate reasonably above preference rates.

Power and Transmission System Reliability

The existing large scale transmission system should be upgraded so that the benefit of this system is maximized. Reliable power deliveries under a possible Regional Transmission Organization and Standard Market Design are very important. We have to remain a full player in the Western interconnection, and we have to maximize our local and regional abilities to use regional resources. Aging generation facilities operated by the Corps and Bureau should be upgraded and reinvestments made. Our planning should stretch to the day when our nuclear plant debt and our Treasury debts are paid off.

Capital Borrowing Authority

We understand that BPA places a high priority on increasing its borrowing authority, primarily to finance transmission upgrades. We support constructive ways to reduce the need for new transmission through conservation, renewable resources, and distributed generation. We would like to work with BPA to seriously explore these issues. Any support for an increase in borrowing authority must address a least-cost approach for meeting electricity needs and improved survival for fish and wildlife.

Promote Tribal Utilities

We support the creation of more tribal utilities. Bonneville should not construct a system that makes tribes compete against each other or against new non-tribal utilities for a limited amount of available preference power. It can be argued that historical traditional customers have long held the benefit of federal power and new utilities meeting the standards for service should now be allowed that benefit if there is a choice between old and new customers. The statutory idea of preference does not include the notion that some preference customers are entitled to something greater than other preference customers merely because of the date of their formation.

A reasonable notice period is appropriate so that new customers give Bonneville the chance to acquire reasonably priced resources to meet their load. History has shown that there is unlikely to be a stampede of

18130 Midvale Ave. N., Suite C
Shoreline, WA 98133
(206) 542-5115 • Fax (206) 542-4096
Toll Free (866) 222-ATNI

new utilities, but when tribes or other entities are ready, they should not be denied the opportunity to become Bonneville customers. Bonneville's trust responsibility to tribes mandates a full opportunity to take advantage of power that many tribes greatly sacrificed to make a part of the region's legacy.

Conservation

Conservation is an integral part of long term system improvements. We waste entirely too much electricity and technological improvements can give us the same comforts we are used to with greater efficiency. The conservation program should strive to provide its benefits at a below market price for power. A conservation program, especially one that offers lower-than-market-rate savings serves to sustain awareness and in the long term will reduce the demand in the region. As a condition of receiving future low-cost federal power, utilities should commit to implementing renewable energy, distributed generation, and conservation based on targets set by the Northwest Power Planning Council.

Renewables

The existing hydroelectric system could be made more productive if large scale wind farms were operated in conjunction with the hydro system. A serious study of these strong operational synergies should be made. Bonneville should diversify its portfolio. In 20 years our wind generation should be equal to our hydro generation, with the two resources being operated to maximize environmental and economic benefits. A strong green tag program is essential to better investment in renewables.

Distributed wind is also a very strong, low-cost long term investment that will benefit Bonneville customers. Bonneville should continue to encourage wind energy development by other regional entities by offering firming services and making the transmission system and ancillary services friendly to wind power. Local use of geothermal heat pumps (which only require piping through the ground that circulates water at a constant temperature and can be installed anywhere a building is constructed in the ground) should be promoted.

Low Income Programs

We encourage Bonneville to find ways to improve their customers' programs for subsidized low income power bills. In this wealthy nation better care should be given to needy consumers. These consumers are usually ill, elderly, handicapped, or working poor. Only a few are lazy or taking advantage of the system. People should not go without heat in winter, light at night, or refrigerated foods. Poor people spend a much higher percentage of their incomes on energy, simply because it is something they can not do without and something over which they have limited control. There is often a choice between food and medicine or heat and light. That is a disgraceful choice and should be remedied.

Fish and Wildlife

Bonneville's decisions in this process will have a direct impact on the protection and restoration of our environment and endangered and non-endangered fish and wildlife. We will support those proposals that protect and restore these extremely important tribal trust assets, and oppose proposals that threaten fish and wildlife.

Trust Responsibility and Government to Government

Bonneville's staff should always be sufficient to make sure that it can meet its Trust Responsibilities and continue Government to Government consultations. Cost cutting and program cutting often threatens to limit the time government officials have for these duties. A high standard should continue to be maintained.

Please consider this proposal. We look forward to a continued role in this process.
Sincerely,

Donna M. Lucas
ATNI-EDC

18130 Midvale Ave. N., Suite C
Shoreline, WA 98133
(206) 542-5115 • Fax (206) 542-4096
Toll Free (866) 222-ATNI