

**WASHINGTON PUD ASSOCIATION  
COMMENTS ON THE NWPCC'S DRAFT RECOMMENDATIONS  
REGARDING BPA'S FUTURE ROLE  
April 22, 2004**

**INTRODUCTION**

These comments are submitted by the Washington PUD Association in response to the draft recommendations released by the Council on April 8, 2004. We compliment the Council for the initiative it has undertaken on the important topic of BPA's future role. We have participated with the other customers of BPA in developing their comments and are supportive of them. We have also included a copy of the WPUA board's adopted "Positions on BPA's Future and Long-term Allocation of Federal Power Resources" which details where we stand on most of the issues the Council is seeking comment on. We look forward to working with the Council to successfully implement a long-term change in how BPA fulfills its regional power supply obligations.

**1. Fundamental Change in How BPA Carries Out its Role.**

We agree whole heartedly with the most fundamental reform the Council recommends: that "Bonneville ...market the existing federal system to eligible customers at its embedded cost and serve load growth that exceeds the capability of the existing federal system in such a way that the customers requesting such service bear the costs and risks of providing that service." We believe the federal power system in the Northwest should be allocated through a long-term, enforceable contract.

**2. Defining Policy through Rulemaking is Problematic.**

We agree with the joint customers that defining BPA policy through rule making is problematic and does not give customers the assurance and predictability they need. We believe this must be done through long-term enforceable contracts and we are willing to consider seeking limited federal legislation in order to implement an allocation of the Federal power system, if that action is necessary.

**3. Cost Control and Reformed Business Practices are Critical**

Control over system costs in addition to long-term enforceable contracts is critical to the reform of BPA business practices. Customers simply must have an effective and meaningful role in BPA cost control and must have contracts which are enforceable through binding dispute resolution mechanisms before an objective third party.

**Washington PUD Association Position's**  
**on**  
**BPA's Future and Long term Allocation of Federal Power Resources**

The WPUDA Board of Directors unanimously adopted the following policy positions March 19, 2004. Their purpose is to guide participation by the WPUDA in the effort to define and implement a long-term allocation of the Federal power system in the Northwest.

**Issue 1** – *Should WPUDA pursue a long-term allocation of the Federal power system?*

**Position** – WPUDA should pursue an allocation of the Federal power system through a long-term, enforceable contract.

**Issue 2** – *Should the WPUDA encourage public power to determine how to allocate the Federal power system among public utilities?*

**Position** – The WPUDA should encourage public power to figure out an allocation methodology for a long-term allocation of the Federal power system. The allocation should satisfy the following criteria:

- Treat all public utilities in a fair and equitable manner.
- Be broadly acceptable to public power utilities.
- Create no winners or losers.
- Be transparent and understandable.

**Issue 3** – *What products should be available for delivery of public utilities' allocation?*

**Position** – The number of products should be kept at a minimum, and should insure that the costs of service provided are paid only by those who receive the service. A utility's allocation should be available under a Slice product, a Block product and a Full Service product.

**Issue 4** – *What should happen if a resource of the Federal power system (such as the Snake River dams or Columbia Generating Station) is retired from service?*

**Position** – Customers should have a choice at the time the resource is replaced. Those who wish BPA to replace the resource, and are willing to pay the costs, should be able to elect that course. Those wishing to replace it on their own should be able to take a proportionate reduction in their allocation and replace this reduction as they see fit.

**Issue 5** – *Should the benefits of the Federal power system be delivered to the IOUs as power or money or both?*

**Position** – Consistent with preference and current law, preference customers should be allocated the capability of the Federal power system, and the benefits made available to IOU small farm and residential customers should be in the form of money only and not power deliveries.

**Issue 6** – *How should new public utility load and newly annexed load be treated after the long-term allocation is implemented? Pro-rata reduction to existing allocations, meld in augmentation costs, pay additional power costs?*

**Position** – There should be a limited pool (75 aMW) of low cost power available on a first come/first served basis for new publics and newly annexed load. Once the 75 aMW pool is exhausted, new publics and newly annexed load would be charged that same rate as any load growth on a public system, and would be entitled to the Federal system benefits the service area was entitled to when served by the IOU.

**Issue 7** – *Is WPUDA willing to replace the rate test for the duration of the long-term contract implementing allocation with a mechanism that provides known and limited financial benefits to IOU small farm and residential customers?*

**Position** – WPUDA is willing to replace the rate test for the duration of the long-term contracts with a mechanism that provides known and limited financial benefits to the IOUs small farm and residential customers in a manner that protects the interests of public power.

**Issue 8** – *Is WPUDA willing to consider pursuing limited federal legislation if that is necessary in order to implement a durable and enforceable change to the role of BPA through long-term contracts that provide cost control and rate certainty.*

**Position** – Once a complete package for a long-term allocation is negotiated and agreed upon, the WPUDA is willing to consider seeking limited federal legislation in order to implement a package of changes that implements an allocation of the Federal power system if that action is necessary. The final decision on whether to seek such legislation will depend on the benefits of the implementation package and the risks of seeking federal legislation.

**Issue 9** – *What are the most important additional issues that must be addressed in order to implement a long-term allocation through durable and enforceable contracts?*

**Position** – Long-term contracts, which will provide stable rates over time, are only possible if the following issues are successfully addressed:

- Cost control which provides customers with an effective and meaningful role.
- Contract enforceability through binding dispute resolution before an objective third party.
- Governance reform that provides BPA with institutional incentives to control costs.

**Issue 10** – *What should be the schedule for resolving the issues necessary to implement the long-term allocation?*

**Position** – With regard to a schedule for long-term allocation issue resolution, the WPUDA will:

- Endorse a nine month schedule for resolving issues regarding a long-term allocation of the Federal power system proposed by the joint customers.
- Pursue the long-term allocation and the roll back of the SN CRAC (including resolution of other near-term rate issues) in tandem with efforts to shape BPA's future, and will not abandon one effort for the other.
- Call on BPA to abandon any plans to implement a tiered rate structure in the next rate period as detrimental to the implementation of a long-term allocation in durable and enforceable contracts.
- Call on BPA to re-focus its efforts and join with its customers to address near-term rate issues (such as rolling back the SN CRAC), and to start on the long-term allocation effort NOW.

March 23, 2004