



Providing quality water, power and service at a competitive price that our customers value.

October 16, 2008

RECEIVED BY BPA
FOIA OFFICE THIS
DATE: 10.21.08
DATE:
11.19.08

09.005

Christina J. Brannon
Freedom of Information Act Officer
Mail Stop DK-7
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208

Re: Freedom of Information Act Request
Wind Energy Exchange Agreement with Pacific Gas and Electric

Dear Ms. Brannon,

On August 19, 2008, the Bonneville Power Administration (“Bonneville”) sought comment on an agreement between Bonneville and Pacific Gas and Electric to exchange wind energy for a period of ten years. That letter is attached hereto. On August 29, 2008, Public Utility District No. 1 of Snohomish County, Washington (“Snohomish”), submitted a letter to Bonneville, addressed to Administrator Steve Wright, providing comments on the transaction (this letter is also attached). In that letter Snohomish stated: “Through this letter, Snohomish formally requests BPA to provide the current draft agreement between Power Services and PG&E, so that Snohomish may fully evaluate the benefits and costs.” Snohomish has not yet received the agreement, and is thus submitting this second request for that information.

Section 2 of the Pacific Northwest Consumer Power Preference Act (the “Preference Act”) requires Bonneville “at any customer’s request, make available for its inspection current drafts of the proposed contract.” 16 U.S.C. § 837a. This obligation arises whenever Bonneville proposes to execute “any contract for the sale, delivery, or exchange of surplus energy or surplus peaking capacity for use outside the Pacific Northwest.” *Id.*

Pursuant to the Freedom of Information Act (“FOIA”), 5 U.S.C. § 552 *et seq.*, and the regulations promulgated by the United States Department of Energy, 10 C.F.R. § 1004 *et seq.*, and as required by the Preference Act, 16 U.S.C. § 837a, Snohomish hereby requests production of the following documents:

- The final fully-executed agreement between Bonneville and Pacific Gas and Electric under which Bonneville would deliver a renewable resource during light load hours to the California-Oregon border and Bonneville would receive a fee and a no-fee option to purchase renewable power at current rates in the future, as described in the attached letter dated August 19, 2008.

- Any drafts of the agreement described above, including memoranda of understanding and/or term sheets relating to the agreement.

The production of the agreement is required by section 2 of the Preference Act, as described above. Bonneville customers have not seen the agreement in any form, thus the requested information would contribute significantly to public understanding of the transaction and of operations of Bonneville, a governmental entity. The information would not further Snohomish's commercial interests, as we understand the agreement has already been executed. As a result, Snohomish requests a waiver of the search and reproduction fees. *See* 5 U.S.C. § 552(a)(4)(A)(iii); 10 C.F.R. § 1004.9(a)(8).

To the extent documents, or portions of documents, responsive to this request are withheld, redacted, or otherwise not supplied, please identify those documents with specificity and state the specific exemption(s) that authorize such withholding, a brief explanation of how the exemption(s) apply to the records withheld or the portions redacted, and a statement of why a discretionary release is not appropriate. *See* 10 C.F.R. § 1004.7.

Please send the requested documents, either in hard copy or electronically on CD or DVD, to Snohomish, care of Dana Toulson, at 2320 California Street, P.O. Box 1107, Everett, WA, 98206-1107. Snohomish is aware of the search and reproduction fees established under FOIA and Department of Energy regulations and, should Snohomish's request for a waiver of those fees be denied, is willing to promptly pay all such fees up to \$250.00. Please contact me if the fees for the requested documents exceed this amount.

If you have any questions regarding the above request, please contact me at (425) 783-8022. I look forward to and appreciate your cooperation and response.

Best regards,



Dana A. Toulson
Assistant General Manager, Power, Rates,
and Transmission Management

cc: Stuart Clarke, Account Executive, Bonneville Power Administration
Steven J. Klein, General Manager, Snohomish County PUD No. 1

Attachment



Providing quality water, power and service at a competitive price that our customers value

August 29, 2008

Mr. Steve Wright, Administrator
Bonneville Power Administration
905 NE 11th Avenue
Portland, OR 97232

Re: Proposed BPA and Pacific Gas & Electric Transaction

Dear Mr. Wright:

Snohomish PUD wishes to express its concern over and lack of support for BPA's proposed energy exchange agreement with Pacific Gas and Electric.

Not Value-Neutral

BPA states that the proposed transaction is energy-neutral. While the actual number of megawatt-hours exchanged may net to zero, the arrangement is by no means value-neutral.

The timing of the exchange (delivery of energy two to three weeks after it is generated) introduces market delivery and price risk to BPA. Spreads between on-peak and off-peak market prices can vary significantly from week to week. Snohomish has asked, but has been unable to determine, if a risk premium for price volatility has been included in the pricing for this transaction. It is unclear what entity will be responsible for forecasting next-hour output from the wind project. It is also unclear what entity will be responsible for and bear the cost of making balancing purchases, balancing sales and FBS generation schedule changes to keep forecasted schedules whole on an hour-to-hour basis.

Loss of FBS Flexibility

BPA has stated that it can accomplish the contemplated PG&E exchange without the agency committing additional system flexibility or FBS resources. Without supporting analysis, this statement is difficult to accept. The agreement is for ten years. BPA faces operating constraints today, during both on-peak and off-peak periods, where it finds it difficult to meet system obligations. These operating constraints will become more serious as regional loads grow. And as the number of wind generators increase in the Northwest, there will be growing pressure on the BPA Balancing Authority to curtail generation to preserve system reliability. We are concerned that these and other long-term implications have not been considered in fashioning the PG&E deal.

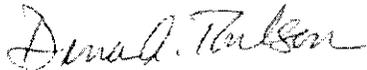
Regional Power Act Requirements and Request for Transparency

Under the Preference Act, BPA is required to provide written notice to its customers at least 30 days in advance of execution of any contract for the sale, delivery or exchange of surplus energy or surplus peaking capacity for use outside the region, and to make available for inspection the current drafts of the proposed contracts upon request. To date, BPA has not provided the draft contracts to enable preference customers to evaluate the proposed agreement. BPA has provided no information supporting the basis for the "wind shaping service" price range of \$2-\$4 per megawatt-hour.

Through this letter, Snohomish formally requests BPA to provide the current draft agreement between Power Services and PG&E, so that Snohomish may fully evaluate the benefits and costs.

We ask that BPA delay execution of the proposed wind exchange agreement until these questions and concerns have been answered.

Sincerely,



Dana Toulson
Assistant General Manager,
Power, Rates & Transmission Management

Cc: Steve Klein, General Manager
Stuart Clarke, BPA Senior Account Representative
Scott Corwin, PPC Executive Director