Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

July 11, 2000

In reply refer to: KR-7C

The Honorable Gordon Smith
United States Senate
Washington, DC 20510

Dear Senator Smith:

Thank you for your letter of June 13 in support of the Goldendale Generation Project (Project).

Bonneville Power Administration (BPA) supports the concept of direct service industry (DSI) development of resources to serve loads previously served by BPA. We are sensitive to the importance of low-cost electricity to aluminum plant production and preserving Northwest jobs. At the same time, I am sure you appreciate that our support should not result in shifting costs to our other customers or impairing our ability to meet our obligations to repay the U.S. Treasury.

As you know, BPA has been in discussions with the partners on the Project. The Project has the potential to be an innovative way to help meet the DSI need for a larger supply of low-cost electricity. And, as you point out, it has the potential to be beneficial to the region as a whole.

The recent volatility of the electricity spot market has not only put the aluminum companies in jeopardy, but also challenged the reliability of the Northwest power system as a whole. I understand that Jeff Stier of our Washington, DC, office recently discussed with your staff the economic study of aluminum companies that BPA has proposed. The Northwest Power Planning Council has also called for a study of Northwest electricity markets and ways to improve reliability. These studies will give guidance to the nature of any support that BPA provides to development of the Project.

In addition, others in the region, including other DSIs, have also expressed an interest in working with BPA on development of generating resources. BPA will consider support to the Project in light of the implications it would have for BPA's response to these other requests.

Thank you for your offer to help. If you have any further questions or concerns about the Project, please contact me or have your staff contact Mr. Syd Berwager, at (503) 230-5657.

Sincerely,

Judi Johansen

Judith A. Johansen
Administrator and Chief Executive Officer

GORDON H. SMITH
OREGON

COMMITTEES:
BUDGET
ENERGY AND NATURAL RESOURCES
FOREIGN RELATIONS

United States Senate

WASHINGTON, DC 20510–3704

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 2000-0271
RECEIPT DATE:
6-13-00
DUE DATE:
6-27-00

June 13, 2000

Judi Johansen
Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208

ASSIGN: KR-7C
cc: A3, K, KN, P, PT, Oster-PT

Dear Judi:

I am writing to express my ongoing support for the Goldendale Generation Project. I know that you have been working with the partners involved in the development of the project, and I want to thank you for your efforts so far to help make this project a reality.

At a time when the region is potentially facing a significant shortfall in generation resources, this 248-megawatt natural gas-fired combined cycle combustion turbine project in Goldendale, Washington, could help alleviate the electricity supply problems the direct service industries are currently facing. As you know, I have supported keeping the DSIs, and aluminum industry jobs, in the region.

In addition, additional generation in the Goldendale area will help support the Pacific Intertie. It will also provide additional flexibility to operate the federal hydropower system to further salmon recovery.

I understand that there are a number of technical and policy questions that still must be resolved with this proposal, but I am hopeful you will be able to resolve these issues in an equitable manner that will enable this project to move forward. If I can be of any assistance on this matter, please do not hesitate to contact me.

Sincerely,

Gordon H. Smith
United States Senator

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Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

July 12, 2000

In reply refer to: KR-7C

The Honorable Conrad Burns
United States Senate
Washington, DC 20510

Dear Senator Burns:

I am in receipt of your letters of June 30 and July 11, 2000, wherein you raise several issues relating to Bonneville Power Administration's (BPA) role in emerging regional energy issues. I will address these issues, and I reiterate my offer to have my staff work with your staff should you require further explanation. Please feel free to contact me directly should you have further questions or concerns.

You point out concerns about Montana Resources Inc. (MRI), Smurfit-Stone Container, and Columbia Falls Aluminum Company (CFAC) and the availability of Bonneville power. Your letter suggests BPA is denying these companies power and instead selling it outside the region. Moreover you question the size of the generation reduction for fish measures. I would like to clarify these matters for you.

MRI and Smurfit-Stone Container are former retail customers of Montana Power Company (MPC). BPA has never received a request for service to these loads, nor do we have the legal authority to serve them. A provision in the 1980 Northwest Power Act limits BPA authority to serve only existing direct service industries (DSIs) such as CFAC. The region's investor-owned utilities (IOUs), including MPC, insisted on this provision in order to prevent load shifting from IOUs to BPA. Even if we had the authority to sell to these companies, we do not have firm surplus power supplies available. We have only intermittent supplies available, and they vary week-to-week due to the fluctuating hydro system. In fact, during the recent electric price spikes this June that apparently led MRI to curtail operations, BPA was also purchasing power in significant amounts.

It is extremely unfortunate that working citizens of Montana are out of work as a result of the unexpected surge in energy costs. If BPA had the ability to effect a different outcome we certainly would. MRI, Smurfit-Stone Container, and other customers of MPC are in a particularly difficult situation because they lost access to low-cost resources when MPC divested its generation and thus its obligation to serve these customers' needs. This was the consequence of Montana State restructuring, not any action on BPA's part.

I share your concern over recent aluminum plant closures in the region due in part to recent highly volatile wholesale energy prices. During our recently concluded subscription process, we provided a significant block of firm power to the DSIs. Questions still loom, however, as to the continued viability of some of the region's aluminum companies, which is why we have initiated a regional study to see whether more help is warranted. We are working with representatives of the DSIs, including CFAC, to design this study. We welcome your participation as we proceed on this important endeavor.

Let me now address the issues you raised pertaining to BPA's sale of power outside the region. Pursuant to the 1964 Regional Preference Act (PL 88-552), when BPA has surplus energy to sell, we always offer it first to Pacific Northwest customers, at flucuating cost-based rates approved by the Federal Energy Regulatory Commission (FERC). Our supply of surplus energy is highly uncertain. It fluctuates widely from week-to-week and month-to-month, depending on the time of year, runoff conditions, weather, and a variety of factors. During the last week in June, for instance, with the Columbia Generating Station nuclear plant outage, we not only lacked surplus energy to sell, but were forced to purchase power to meet our own load obligations at prices well above the historical average for this time of year.

While only about ten percent of BPA's sales go outside the region, those sales keep rates low for the Pacific Northwest. For example, over the next 5 years, we forecast that surplus sales both inside and outside the region will bring in over $445 million in net annual revenues. For decades, BPA has explicitly relied on these revenues to establish and maintain the low, long-term cost-based rates we offer to the region—including most of the publicly owned utilities in Montana as well as Columbia Falls Aluminum Company. If BPA's annual net revenues from surplus power sales were reduced by half, our proposed rates for Northwest public power, investor-owned utilities' (IOUs) residential loads and DSIs would be about 20 percent higher over the next 5-10 years.

The real issue is not competition between regional loads and California markets for BPA power, but how benefits are allocated within the Northwest. As you know, BPA just concluded a three-year process called Subscription to come up with a fair and reasonable allocation of federal hydropower among our preference customers, IOU residential loads, and DSIs in the next rate period. Any significant actions we take to increase support to any of those groups now will come at the expense of other BPA customers.

Both your June 30 and July 11 letters raise the issue of the reduced generation capability of the federal hydro system. I agree that this is a very troubling situation given the region's power supply woes. Let me clarify how this has evolved. With the Endangered Species Act (ESA) listing of salmon in 1992 and earlier fish operations, the federal hydro system has suffered a derating of over 1,000 megawatts. The National Marine Fisheries Service (NMFS) has issued a series of Biological Opinions that have called for radical changes in river operations including increased spill. Fish operations now have priority under the law over power production in river

operations on the Federal Columbia River Power System. BPA does not make the decisions on fish operations.

Our recent agreement with NMFS for this operating year resulted in reduced salmon mortality, but it did not further reduce generation capability, compared to recent years, because spill at some projects was reduced. We estimate that an average of 844 average megawatts (aMW) of energy is lost during the April through August migration period because of spill to improve fish passage. This is equivalent to nine percent of annual average federal generation. For part of the last week in June when energy prices were spiking, BPA declared a system emergency and worked with NMFS to curtail fish operations for a few hours in order to meet regional load obligations.

Your letter asks whether generation was reduced at a time when the Northwest was facing severe energy shortages and price spikes due to plant outages. Grand Coulee was operating to the requirements of the NMFS's 1995 Biological Opinion, which indicates that "to achieve the conservation of water for summer flows . . . all Columbia River reservoirs should be operated to refill [to its full elevation of 1290 feet] by June 30" (page 102). Going into the emergency, BPA had already been purchasing substantial quantities (about 500 aMW) of energy to meet our loads and still achieve the Biological Opinion refill objective at Grand Coulee. We were managing releases from the reservoir to achieve a weekly average flow at McNary of about 175,000 cubic feet per second (cfs) for spring fish flow augmentation. (The weekly average flow turned out to be 188,000 cfs, which was well in excess of this objective.) Early in the emergency, the Bureau of Reclamation and NMFS agreed to modify the Grand Coulee refill regime to mitigate for the combination of the declining streamflows and to allow more time to "replace" water that was released earlier, via energy purchases. BPA also quickly purchased substantial amounts of replacement energy at very high prices in order to limit the duration of the increased generation and do our best to meet Biological Opinion operating criteria.

The recent volatility in the West Coast wholesale energy market was unprecedented. The market is complex, and it is difficult to understand whether the problems stem from the fact that markets are still in transition or whether some market participants are taking deliberate actions to increase profit-taking opportunities. There may be structural issues tied to recent market deregulation initiatives in western markets and nationally that need to be considered and assessed. We believe that BPA's marketing practices have served to dampen price volatility, not encourage it. Our cost-based rates and long-term contracts also help insulate Northwest parties from market swings.

But unless there is an explanation and remedy for price spikes, they can happen again. Based on events of the past several weeks, it is clear that the Northwest as a region may face significant reliability problems earlier than this winter. The Northwest Power Planning Council has already agreed to take the lead in a study of Northwest markets. BPA strongly supports this effort and is willing to help in any way. We commit to full disclosure of our operations during periods in question. We encourage other entities to do the same.

Turning now to your questions relating to formation of a regional transmission organization (RTO), let me assure you that BPA has been anything but slow to comply with FERC Order 2000. It is my firm belief that prompt formation of an RTO will help increase reliability and clarify the responsibility for transmission construction and operation decisions. BPA has been collaborating closely with other Northwest transmission owners to submit an RTO filing by the FERC deadline of October 15, 2000. Chairman Hoecker recently sent a letter to BPA and other Northwest RTO filing utilities calling the Pacific Northwest's effort "truly historic in terms of both electricity policy and regional compromise and coordination." Such praise of the region's coordination would not have been possible if BPA was not fully participating. BPA is in fact providing a leadership role in the formation of a regional RTO and fully supports the RTO development consistent with FERC Order 2000.

We are also taking action to improve the transmission system to improve electric reliability. In the past five years, BPA has spent over $340 million in direct capital dollars for improvements such as: additions for load service to the Portland/Willamette Valley area, Puget Sound area, the Dalles, a new line into Jackson Hole, Wyoming, reinforcements to both the California interties and Canadian interties and various communication/control system upgrades. In the next few years, we are likely to include new lines/additions to relieve constrained transmission west of Spokane, west of McNary, north of Hanford and the Canadian Interties as well as load service improvements to Puget Sound, Portland, Flathead Valley of Montana, Southern Idaho, Eugene, Bremerton, San Juan Islands, and the Tri Cities of Washington. In addition, we continue to conduct extensive operating studies to assure short-term reliability in day-to-day operations. In my view, investment in the federal transmission system is timely and prudent. I frankly worry about under-investment in some non-federal systems, but hopefully this is a matter that the Northwest RTO can tackle to assure overall transmission reliability is not compromised.

BPA is a Pacific Northwest entity, and our responsibility is to the citizens of this region. I believe our transmission and marketing practices have been open and sound, and that we are doing the best job we can to manage our precious hydropower resource so that it best benefits the citizens of the Northwest, consistent with our existing statutory directives. We welcome the participation of the region and its elected representatives in helping to find answers to the questions you are asking.

Our Washington, DC, staff will continue to supply more detailed information to your office, including the data you requested regarding historical surplus sales. We will provide this information to you by August 1, 2000. If I can be of any further assistance, please do not hesitate to contact me.

Sincerely,

Judith A. Johansen
Administrator and Chief Executive Officer

bcc:
Adm. Chron. File – A
ECC – A (00-0293 & 00-0308)
S. Wright – K-7
A. Smith – KE-4
S. McNary – KE-4
BPA – KN (2)
K. Hunt – KR-7
G. Kuntz – KR/MSGL
M. Reller – KR/MSGL
H. Spigal – L-7
P. Norman – P-6
S. Oliver – PT-5
M. Maher – T/Ditt2
Official File – KR (EX-15-12-2)

PZimmer:sw:3502:7/13/00 (EXCH09-KR-7C-W:\ck\CONGRESS\LETTERS\00\Burns\0293_Burns.doc)

CONRAD BURNS
MONTANA

COMMITTEES:
APPROPRIATIONS
COMMERCE, SCIENCE, AND TRANSPORTATION
ENERGY AND NATURAL RESOURCES
SMALL BUSINESS
SPECIAL COMMITTEE ON AGING

United States Senate

WASHINGTON, DC 20510–2603
(202) 224–2644

June 30, 2000

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 2000-0293
RECEIPT DATE:
6-30-00
DUE DATE:
7-14-00

Ms. Judi Johansen
Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208

Dear Judi:

Thank you for the recent visit to my office to discuss Northwest power issues related to Bonneville's operation. Unfortunately, today's events have underscored the importance of a number of the issues we discussed.

As you may know, today Montana Resources Inc. in Butte, Montana announced that it will be shutting operations down starting on Saturday because the company is unable to secure reasonably priced power. I had explained my concern to you that Montana's industrial consumers would be imperilled if Bonneville did not take action to ensure that more affordable power was delivered within the region.

Montana Resources provides 350 jobs and is an essential component of Montana's economy. However, they are not alone. Columbia Falls Aluminum Company in Columbia Falls, and Smurfit-Stone Container in Missoula have also expressed serious concern over the availability of Bonneville power to continue operations. Together, these companies provide thousands of jobs in the state, and they are joined by many other businesses facing the same predicament.

Unfortunately, despite having one of the most reliable and affordable power generation systems in the world literally in their backyard, these companies are being forced out of business due to a lack of affordable power. This is especially insulting when Bonneville continues to reduce its efficiency and sell power out of the region.

Today, Senator Gorton has requested that the Federal Energy Regulatory Commission (FERC) investigate the cause of price spikes in the region. This is an important step, but I believe Bonneville must also account for its recent actions. Judi, we discussed the need to enter into a dialogue regarding the long-term viability of industrial customers in Montana and the rest of the Pacific Northwest. Clearly, Bonneville's current activities have ensured that this discussion must begin immediately.

Bonneville currently is selling power out of the region into the California market. I would like a full accounting of the amount of power that has been sent out of the region over the past 5 years and how these sales interrelate with the price of wholesale power within the Northwest. Many industrial consumers contend that retaining this power within the region would result in lower prices and could have helped us avoid the current energy crisis facing the region.

ASSIGN: KR-7C
cc: A3, K, KN, KR, Mahar-KC-7, Mosey-KC-7, L, P, PT, T/Ditt2, SLarson-LT

I would also like an accounting of what measures Bonneville has implemented this year to increase spill over dams for fish mitigation and other environmental concerns. It is my understanding that Bonneville has increased spill requirements on numerous dams and this has reduced BPA's generation capability. How much capacity has been lost with the implementation of these new measures?

Additionally, I would like an update on Bonneville's movement toward the formation of a Regional Transmission Organization (RTO). The formation of an RTO is supported by FERC Order 2000, yet Bonneville has been slow to act towards formation. It is my understanding that a consensus has emerged in the region amongst those involved in the power industry that supports RTO formation. What actions is Bonneville taking to facilitate this and help alleviate transmission bottlenecks in the region?

Transmission has been widely cited as one of the main problems with electric reliability. Has Bonneville been placing new transmission lines to address problems? If so, where and when have these projects occurred and do you feel that Bonneville has adequately provided for the region's transmission needs?

Finally, as I am sure you are aware, there is concern that some may be "gaming" the transmission system. The Senate Committee on Energy and Natural Resources recently passed electric reliability legislation to address this concern, however, considering that Bonneville owns a vast majority of the transmission system in the Northwest, have you seen any abnormalities in the system over the past few months that would lead you to believe that entities utilizing transmission facilities in the Northwest have been "gaming" the Bonneville controlled system?

Judi, I know that these questions are time-consuming, however, with shutdowns occurring literally today, Montana must have access to these answers. The state recently engaged in an economic development summit to look toward the future. However, today we are faced with losing one of our strongest assets, a strong and affordable power supply system.

Sincerely,

Conrad Burns
United States Senator

CRB\rjt

CONRAD BURNS
MONTANA

COMMITTEES:
APPROPRIATIONS
COMMERCE, SCIENCE, AND TRANSPORTATION
ENERGY AND NATURAL RESOURCES
SMALL BUSINESS
SPECIAL COMMITTEE ON AGING

United States Senate

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RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 2000-0308
RECEIPT DATE:
7-11-00
DUE DATE:
7-25-00

July 11, 2000

Ms. Judi Johansen
Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208

Dear Judi:

I wanted to follow up on the June 30th letter I recently sent to you. I am frustrated that while Montana's industrial consumers remain closed, and Montanans are laid off due to high energy costs, that you have yet to respond to my inquiries.

I am anxious to finalize a meeting time with you so that I, and the rest of the Northwest delegation, can begin getting some answers to the questions that have arisen regarding the management of Bonneville over the last few months.

While waiting for this meeting, I have found it necessary to bring another set of complaints to you that have been voiced by my constituents who are directly involved in the power industry. It has come to my attention that while numerous coal plants were offline, along with the only nuclear plant in the region, and the Northwest was facing severe energy shortages, Bonneville decided to reduce generation off of some dams and fill reservoirs instead. One example brought to my attention is that Grand Coulee dam reduced output during this time of need. Obviously this would have caused a severe price spike in an already expensive market.

Please address these contentions and let me know if input was increased or decreased during the recent energy shortage? Were dams operating at full capacity, or was generation capability foregone? If generation was below capacity, what factors were taken into consideration and was market price taken into account?

I look forward to your immediate response. Montana has hundreds of workers waiting to go back to work.

Sincerely,

Conrad Burns
United States Senator

CRB\rjt

ASSIGN: KR-G
cc: A3, K, KN, KR, Mahar-KC, Mosey-KC, L, P, PT, T/Ditt2, SLarson-LT

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http://burns.senate.gov

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Official File Copy

EXECUTIVE OFFICE

JUL 13 2000

In reply refer to: KR-7C

The Honorable Brian Baird
U.S. House of Representatives
Washington, DC 20515

Dear Representative Baird:

Thank you for your letter of June 21. I appreciate your support of Bonneville Power Administration's (BPA) recent decisions in the 2002-2006 power rate case and Subscription process. I think that we were successful in maintaining stable rates and spreading the benefits of the federal hydro system equitably among Northwest citizens, while still meeting our financial obligations.

As you note in your letter, many of the aluminum companies that agreed to the so-called Compromise Approach are now asserting that it is not enough to help them stay profitable in the next rate period. They say they need access to more cost-based federal power in order to keep the plants operating and preserve Northwest jobs.

The aluminum companies have approached BPA, and BPA has agreed to initiate a regional discussion about their situation. The first phase of the study will look at the value the industry provides the region and the Northwest power system, and the reasons for the challenges the companies are now facing. Currently, the target completion date for this phase is September 2000.

If the first phase shows that the industry faces a genuine threat to its long-term survival and that the region wants to consider action to maintain the economic benefits it provides, a second stage of the process could examine options for improving the industry's outlook. That phase of the study—if it occurs—is targeted for completion around the end of the calendar year.

We have gathered a regional study team, with representatives from the aluminum industry, public power utilities, investor-owned utilities, the four Northwest states, the tribes, environmental interests, and the Northwest Power Planning Council. The team is beginning its work this month (July.) The public will have an opportunity to comment in a public workshop at the end of phase one, and again at the end of phase two, if it occurs.

I hope that the findings from this study will be useful to BPA and the region as we struggle with the questions of how to equitably distribute the benefits of the federal hydro system and preserve Northwest jobs. Thank you for your offer to help.

Sincerely,

Judith A. Johansen
Administrator and Chief Executive Officer

BRIAN BAIRD
THIRD DISTRICT, WASHINGTON

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

WATER RESOURCES AND ENVIRONMENT SUBCOMMITTEE

COAST GUARD AND MARITIME SUBCOMMITTEE

SMALL BUSINESS COMMITTEE

SCIENCE COMMITTEE

Congress of the United States
House of Representatives
Washington, DC 20515–4703

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June 21, 2000

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 2000.0281
RECEIPT DATE:
6.23.00
DUE DATE:
7.7.00

Administrator Judi Johansen
Bonneville Power Administration
Post Office Box 3621
Portland, Oregon 97208-3621

Dear Judi:

During your Subscription process, you did an admirable job of balancing a diverse range of regional interests. I am aware that you agreed to provide a significant block of power to the DSIs at rates well below market in order to preserve the jobs they provide in the region. Your power rate case succeeded in maintaining stable rates, while meeting Bonneville's fish funding and Treasury repayment obligations. The decisions made during these two processes were the fruits of more than three years of public discussion within the region.

However, the direct service industries have been particularly insistent upon their claim that the survival of the Northwest aluminum industry is threatened by high energy prices in the post-2001 period. Though I would be extremely reluctant to revisit the tough decisions you made during your rate case and Subscription process, I believe the DSIs deserve an opportunity to make their case to the region at large. A public discussion of both the value the industry provides the region and the risks it faces would be extremely helpful at this time. Such a discussion could help to determine whether the industry faces a genuine long term threat to its survival. It would also help regional stakeholders to determine whether BPA can and should take any additional measures to assist the industry. I urge you to help facilitate such a process and would be willing to offer any help I can provide.

I would be pleased to work with your agency in whatever way might be helpful to discuss this idea further for the benefit of our communities, working families and businesses.

Sincerely,

Brian Baird

Brian Baird
Member of Congress

ASSIGN: KR-7C
cc: A3, K, KN, KE, KEW, P, PT, PG, PGF,
Bodi-A/Seattle, Lamb-PGP-5,
Mahar-KC, Mosey-KC

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Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Official File Copy

EXECUTIVE OFFICE

AUG 0 4 2000

In reply refer to: KR-7C

The Honorable Patty Murray
United States Senate
Washington, DC 20510

Dear Senator Murray:

Thank you for your letter of July 24, 2000, expressing support for Bonneville Power Administration's (BPA) fiber-optic program and expressing your concern over reports that BPA's installation of fiber on the Olympic Peninsula might be delayed. Your past involvement in and support for our fiber program, including its application for public benefit purposes, have contributed to BPA's ability to install reliable communications for operation of the transmission system and to help bridge the "digital divide" in rural areas of the Pacific Northwest. That involvement and support is greatly appreciated.

I want to reassure you that BPA will install fiber-optic cable between our Olympia and Port Angeles Substations as soon as electrical system requirements and material availability permit. I know that our recent report to Congress ("Power Marketing Administration's Fiber Optics Executive Summary Report to Congress," May 24, 2000) included some information that didn't clearly communicate our intentions, and we regret that miscommunication. But between BPA and your constituents, there was never a question about our ultimate operational need and intention to install fiber on this route.

The decision to proceed at this time was based upon several factors: (1) this route was identified in BPA's report to Congress as one intended to be built this year, (2) the route met the criteria for installation at the time it was announced (i.e., there was an operational need and, at the time it was announced, the 5-year planning windows had not yet been set), (3) there is a great public need and urgency for broadband access and several entities had made commitments based upon BPA's representations, and (4) there is commercial interest in leasing fiber on this route and that interest will be pursued to assist with cost reduction to BPA.

We anticipate that availability of fiber-optic cable and electrical outages on the route will permit construction to start on this route in the spring of 2001. Conversations with entities planning to extend broadband access from BPA's system to end-users indicate that this schedule will mesh with their abilities and requirements.

I trust this information addresses your immediate concerns. I want to thank you again for your continued support of BPA's fiber program. Fiber is critical to enhancing the reliability and capability of the transmission system and it also assists in providing broadband access in rural areas, to the benefit of the entire region.

Please contact me at any time for additional information regarding BPA's fiber program or if you have additional concerns.

Sincerely,

(Sgd.) S.G. Hickok

Judith A. Johansen
Administrator and Chief Executive Officer

cc:
The Honorable Norm Dicks
U.S. House of Representatives
Washington, DC 20515

bcc:
Admin. Chron File – A
ECC – A (2000-0338)
S. Wright – K-7
BPA – KN (2)
C. Custer – KR-WSGL
M. Maher – T-DITT-2
B. Lahmann – TM-DITT-2
Official File – KR (EX-15-12-2)

PZimmer:sw:3502:8/2/00 (EXCH09-KR-7C-W:\ck\CONGRESS\LETTERS\00\Murray, P\00-0338.doc)

Congress of the United States

Washington, DC 20515

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 2000-0338
RECEIPT DATE: 7.25.00
DUE DATE: 8.7.00

July 24, 2000

Ms. Judith Johansen
Administrator, Bonneville Power Administration
Box 3621
Portland, OR 97208

ASSIGN: KR/7C
cc: A3, K, KN/Wash, KR-7, T/Ditt2, Cindy Custer-KR/WSGL

Dear Judi:

Over the past years, we have grown increasingly involved in trying to ensure that rural communities across Washington state gain access to advanced telecommunications services. As you know, broadband is now a necessary infrastructure for any community to thrive in our information economy.

Many communities in Washington have made real progress in planning for and gaining access to advanced telecommunications over the past year. While each community has followed its own unique path, no factor has or will be more important to achieving access than the efforts of the Bonneville Power Administration through its public benefits fiber program. Communities and telecommunications firms across the state are exploring ways to partner directly with BPA – or, indirectly, through NoaNet – to gain access to the Internet backbone. BPA deserves enormous credit for working cooperatively with these communities and firms towards a shared vision.

Given BPA's progress, we are dismayed to hear reports that BPA might delay – possibly for a considerable time – its plan to string fiber between Olympia and Port Angeles. While we certainly understand that BPA must have an "operational need" to justify stringing fiber, we are surprised that the agency seems on the verge of reversing an earlier determination that such a need exists.

Any decision to significantly delay stringing fiber from Olympia to Port Angeles would harm several communities in the region that have already moved ahead with their own fiber programs based on their expected access to the BPA fiber backbone. Any such delay could bring irreversible harm to those communities, from the perspective of economic growth, access to health care, expanding educational opportunities and improving the quality of life.

We urge you to consider these factors when deciding whether to string fiber from Olympia to Port Angeles. Our strong support for BPA's fiber program has been in part due to the public benefits that can be achieved through leasing of excess fiber. We trust that our support and investments by others were not misplaced.

Sincerely,

Patty Murray
United States Senator

Norm Dicks
United States Congressman

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Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

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EXECUTIVE OFFICE

AUG 0 4 2000

In reply refer to: KR-7C

The Honorable Norm Dicks
U.S. House of Representatives
Washington, DC 20515

Dear Representative Dicks:

Thank you for your letter of July 24, 2000, expressing support for Bonneville Power Administration's (BPA) fiber-optic program and expressing your concern over reports that BPA's installation of fiber on the Olympic Peninsula might be delayed. Your past involvement in and support for our fiber program, including its application for public benefit purposes, have contributed to BPA's ability to install reliable communications for operation of the transmission system and to help bridge the "digital divide" in rural areas of the Pacific Northwest. That involvement and support is greatly appreciated.

Fiber-optic cable will be installed between BPA's Olympia and Port Angeles Substations as soon as electrical system requirements and material availability permit. There was never a question about BPA's ultimate operational need for fiber on this route. The issue was whether the existing communications could continue to meet BPA's operational need for some time into the future allowing deferral of the expense of construction until absolutely necessary. The decision to proceed at this time was based upon several factors: (1) this route was identified in BPA's report to Congress as one intended to be built this year, (2) the route met the criteria for installation at the time it was announced (i.e. existence of an operational need but time limits on planning windows had not yet been set), (3) there is a great public need and urgency for broadband access and several entities had made commitments based upon BPA's representations, and (4) there is commercial interest in leasing fiber on this route and that interest will be pursued to assist with cost reduction to BPA. We anticipate that availability of fiber-optic cable and electrical outages on the route will permit construction to start on this route in the spring of 2001. Conversations with entities planning to extend broadband access from BPA's system to end-users indicate that this schedule will mesh with their abilities and requirements.

I trust the above information addresses your immediate concerns. Your continued support of BPA's fiber program enhances the reliability and capability of the transmission system and

assists in providing broadband access in rural areas for the benefit of the entire region. Please contact me at any time for additional information regarding BPA's fiber program or if you have additional concerns.

Sincerely,

(Sgd.) S.G. Hickok

for Judith A. Johansen
Administrator and Chief Executive Officer

cc:
The Honorable Patty Murray
United States Senate
Washington, DC 20510
bcc:
Admin. Chron File – A
ECC – A (2000-0338)
S. Wright – K-7
BPA – KN (2)
C. Custer – KR-WSGL
M. Maher – T-DITT-2
B. Lahmann – TM-DITT-2
Official File – KR (EX-15-12-2)

PZimmer:sw:3502:8/2/00 (EXCH09-KR-7C-W:\ck\CONGRESS\LETTERS\00\Dicks\00-0338.doc)

Congress of the United States

Washington, DC 20515

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 2000-0338
RECEIPT DATE: 7.25.00
DUE DATE: 8.7.00

July 24, 2000

Ms. Judith Johansen
Administrator, Bonneville Power Administration
Box 3621
Portland, OR 97208

ASSIGN: KR-7C
cc: A3, K, KN/Wash, KR-7, T/Ditt2, Cindy Custer-KR/WSGL

Dear Judi:

Over the past years, we have grown increasingly involved in trying to ensure that rural communities across Washington state gain access to advanced telecommunications services. As you know, broadband is now a necessary infrastructure for any community to thrive in our information economy.

Many communities in Washington have made real progress in planning for and gaining access to advanced telecommunications over the past year. While each community has followed its own unique path, no factor has or will be more important to achieving access than the efforts of the Bonneville Power Administration through its public benefits fiber program. Communities and telecommunications firms across the state are exploring ways to partner directly with BPA – or, indirectly, through NoaNet – to gain access to the Internet backbone. BPA deserves enormous credit for working cooperatively with these communities and firms towards a shared vision.

Given BPA's progress, we are dismayed to hear reports that BPA might delay – possibly for a considerable time – its plan to string fiber between Olympia and Port Angeles. While we certainly understand that BPA must have an "operational need" to justify stringing fiber, we are surprised that the agency seems on the verge of reversing an earlier determination that such a need exists.

Any decision to significantly delay stringing fiber from Olympia to Port Angeles would harm several communities in the region that have already moved ahead with their own fiber programs based on their expected access to the BPA fiber backbone. Any such delay could bring irreversible harm to those communities, from the perspective of economic growth, access to health care, expanding educational opportunities and improving the quality of life.

We urge you to consider these factors when deciding whether to string fiber from Olympia to Port Angeles. Our strong support for BPA's fiber program has been in part due to the public benefits that can be achieved through leasing of excess fiber. We trust that our support and investments by others were not misplaced.

Sincerely,

Patty Murray
United States Senator

Norm Dicks
United States Congressman

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Offical File Copy

EXECUTIVE OFFICE

August 16, 2000

In reply refer to: KR-7C

The Honorable Jay Inslee
U.S. House of Representatives
Washington, DC 20515

Dear Representative Inslee:

This is in response to your inquiry regarding Bonneville Power Administration's (BPA) fiber-optic program and specifically your continuing interest in BPA's installing fiber on the Olympic Peninsula. Your past involvement in and support for our fiber program, including its application for public benefit purposes, have contributed to BPA's ability to install reliable communications for operation of the transmission system and to help bridge the "digital divide" in rural areas of the Pacific Northwest. That involvement and support is greatly appreciated.

I am pleased to confirm that BPA will install fiber-optic cable between our Olympia and Port Angeles Substations as soon as electrical system requirements and material availability permit. I know that our recent report to Congress ("Power Marketing Administration's Fiber Optics Executive Summary Report to Congress," May 24, 2000) included some information that did not clearly communicate our intentions, and we regret any miscommunication. The report was not intended as a definitive roadmap of where and when BPA would build on the system, but rather as a working document that was subject to ongoing technical review and update. I believe that between BPA and your constituents, there was never a question about our ultimate operational need and intention to install fiber on this route.

The decision to proceed at this time was based upon several factors: (1) this route was identified in BPA's report to Congress as one intended to be built this year, (2) the route met the criteria for installation at the time it was announced (i.e., there was an operational need and, at the time it was announced, the 5-year planning windows had not yet been set), (3) there is a great public need and urgency for broadband access and several entities had made commitments based upon BPA's representations, and (4) there is commercial interest in leasing fiber on this route and that interest will be pursued to assist with cost reduction to BPA.

We anticipate that availability of fiber-optic cable and electrical outages on the route will permit construction to start on this route in the spring of 2001. Conversations with entities planning to extend broadband access from BPA's system to end-users indicate that this schedule will mesh with their abilities and requirements.

I trust this information addresses your immediate concerns. I want to thank you again for your continued support of BPA's fiber program. Fiber is critical to enhancing the reliability and capability of the transmission system and it also assists in providing broadband access in rural areas to the benefit of the entire region.

Please contact me at any time for additional information regarding BPA's fiber program or if you have additional concerns.

Sincerely,

Judith A. Johansen
Administrator and Chief Executive Officer

Congress of the United States

Washington, DC 20515

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 2000-0175
RECEIPT DATE:
4-17-2000
DUE DATE:
APP ACTION

April 14, 2000

The Honorable Ron Packard
Chairman
Appropriations Subcommittee on Energy
and Water Development
2362 Rayburn HOB
Washington, D.C. 20515

APPROPRIATE ACTION: KR-7C
cc: A3, K, KN, C, CH, L, Dinan-A

The Honorable Peter J. Visclosky
Ranking Democrat
Appropriations Subcommittee on Energy
and Water Development
1016 Longworth HOB
Washington, D.C. 20515

Dear Gentlemen:

We are writing to express our support for the five-year extension of the Bonneville Power Administration's Voluntary Separation Incentive (VSI) authority. This extension will continue to provide Bonneville with the business tool it has effectively and efficiently used to cut costs, downsize and reshape its workforce over the last five years.

Bonneville's VSI authority is the best way to address changing workforce needs. It allows Bonneville to make sensible workforce reductions that accommodate its business needs, as well as the human needs of its employees. It is more cost-effective than initiating a staff reduction-in-force (RIF). Based on Bonneville's average grade and General Accounting Office (GAO) cost estimates, the cost of a RIF exceeds the cost of a VSI by about $16,000 per employee.

Since Bonneville is self-financed, ratepayers, not taxpayers, cover the cost of the VSI incentives, which are limited to a maximum of $25,000 per employee. These incentives have helped Bonneville reduce its employee levels by over 1,000 since 1994. As the electric utility industry is changing and experiencing large shifts in its workforce, Bonneville is also seeing significant change and will need to continue to respond.

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The President's budget requests continued availability of VSI authority for Bonneville through the end of FY 2005 and includes bill language on page 423 of the Budget Appendix that would accomplish that. The authority allows Bonneville to meet critical new skills mix needs and the challenges of changing electric markets without resorting to drastic and costly measures like a RIF, which would have a demoralizing effect on their employees. We would therefore request that you include the proposed bill language in your upcoming Energy and Water Development Appropriations Act mark-up.

Sincerely,

Earl Blumenauer
Member of Congress

Greg Walden
Member of Congress

Doc Hastings
Member of Congress

Peter A. DeFazio
Member of Congress

Darlene Hooley
Member of Congress

Jay Inslee
Member of Congress

Norman D. Dicks
Member of Congress

David Wu
Member of Congress

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

August 17, 2000

In reply refer to: KR-7C

The Honorable Peter DeFazio
U.S. House of Representatives
Washington, DC 20515

Dear Representative DeFazio:

Enclosed for your information is the response I sent your constituent Alfred Canada regarding Bonneville Power Administration expenditures on conservation measures. I trust this responds to your request. If you need any more information, please contact me.

Sincerely,

Judith A. Johansen
Administrator and Chief Executive Officer

Enclosure

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Official File Copy

EXECUTIVE OFFICE

AUG 17 2000

In reply refer to: KR-7C

Mr. Alfred Canada
336 Eric Way
Grants Pass, OR 97526

Dear Mr. Canada:

On July 12, 2000, Representative Peter DeFazio forwarded your letter dated April 13 to the Bonneville Power Administration (BPA) for response.

Your letter raises several concerns, which are summarized and addressed below.

1. You state that BPA ratepayer funds support interest groups such as the Northwest (NW) Energy Coalition and other groups promoting breaching the four lower Snake River dams as a method to recover endangered salmon.

   BPA does have a contract with the NW Energy Coalition, the Renewable NW Project, and the Natural Resources Defense Council under which these groups are paid a portion of the premiums we receive on sales from Environmentally Preferred Power (EPP) resources which these groups have agreed to publicly endorse. The portion of the premiums these groups receive is intended to reflect only the value that their endorsement adds to the EPP product. BPA has, in the past, occasionally invested very limited funds in public purpose projects that have been undertaken jointly with other entities, which have included some public interest groups as well as other utilities. However, BPA provides no funding support to the general activities of these groups or their efforts in support of breaching Northwest dams.

2. You believe that the 724 average megawatts of conservation that BPA has acquired since 1981 has been used to fund NW Power Planning Council activities.

   BPA acquires conservation in order to extend the benefits of the power system and conserve our natural resources. The energy savings are not used to fund the Council nor any other public or private entity.

   BPA is proud of its record and the record of the region in conserving electric energy. Since 1981, BPA diligently met or exceeded the cost-effectiveness criteria in the Pacific NW Power Planning and Conservation Act. We have rigorously evaluated our conservation programs and have done

time value cost analysis. The most recent analysis, for the years 1994 and 1995, found the cost for our conservation program was approximately 11 mills per kWh (in 1993 dollars).

I should also note that your method of estimating conservation costs is incomplete. While BPA reports savings in the Redbook in MW hours in order to make a comparison to capacity of our other energy acquisitions, all standard conservation evaluation methodologies calculate a levelized cost in mills per kWh. This is derived by multiplying the savings *times the average measure life* and then dividing that figure by the total levelized cost. This calculation takes into account the fact that conservation measures produce savings for different lengths of time, ranging from 1 year (Irrigation Scheduling) to 70 years (Super Good Cents). It also brings the estimate into 2000 dollars. We are in the process updating our conservation cost analysis to reflect conservation measure lives. We hope to have this cost added to the 2000 Redbook, in addition to the standard reported MW capacity.

3. You believe that combined cycle combustion turbines, such as the one PacifiCorp is constructing in Klamath Falls, do not meet environmental requirements and are being inappropriately approved by State siting councils.

BPA has no involvement in the Klamath Falls project and cannot shed any light on this concern.

Thank you for your interest in these topics. I hope this letter addresses all of your current concerns.

Sincerely,

Judi Johansen

Judith A. Johansen
Administrator and Chief Executive Officer

cc:
The Honorable Peter DeFazio
U.S. House of Representatives
Washington, DC 20515

...ER A. DEFAZIO
4TH DISTRICT, OREGON

RESOURCES COMMITTEE
SUBCOMMITTEE:
WATER AND POWER RESOURCES

TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEES:
AVIATION
SURFACE TRANSPORTATION

Congress of the United States

House of Representatives

July 12, 2000

PLEASE RESPOND TO:

☐ 2134 RAYBURN HOUSE OFC. BLDG.
WASHINGTON, DC 20515-3704
(202) 225-6416

☐ 151 WEST 7TH AVE. #400
EUGENE, OR 97401-2649
(541) 465-6732
1-800-944-9603

☐ 125 W. CENTRAL AVE.
SUITE 350
COOS BAY, OR 97420
(541) 269-2609

☐ P.O. BOX 2460
ROSEBURG, OR 97470-0511
(541) 440-3523

☐ Peter.DeFazio@mail.house.gov

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 2000.0315
RECEIPT DATE:
7.17.00
DUE DATE:
7.31.00

Judi Johansen
Administrator
Bonneville Power Administration
905 N.E. 11th Street
PO Box 3621
Portland, OR 97208

Dear Administrator Johansen:

Enclosed is a letter from a constituent regarding BPA expenditures on conservation measures. Mr. Canada raises some serious allegations. I would greatly appreciate you directly responding to Mr. Canada's questions.

Thank you for your assistance regarding this matter.

Sincerely,

PETER DeFAZIO
Member of Congress

PAD/afj

ASSIGN: KR-7C
cc: A3, K, KN, P, PG, PGF, PN-1

THIS STATIONERY PRINTED ON PAPER MADE WITH RECYCLED FIBERS

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Thursday, April 13, 1900

S

The SOLAR

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P

POWER

Letter

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OREGON 97526
541/474-[illegible]
E/MAIL
CANADASV[illegible]
@BUDGET.NET

The Honorable Peter A. DeFazio
House Renewable Energy Caucus
U.S. House of Representatives
Washington, DC 20515-3704

Dear Congressman DeFazio:

Thank you for your letter of February 10th regarding your attendance during the World Trade Organization, official meetings, protests and marches. Did BPA public-money help finance any *SAVE-THE-SALMON -REMOVE-THE-DAMS* participation of the Planning Council's PACs and/or through the *NW Energy Coalition* finance supporters recruited from your old Eugene stamping grounds a couple of weeks prior (see recruiting card) to the WTO riots and demonstrations? Further, did BPA public-money buy travel, living and the bizarre sockeye salmon costumes for the recent demonstration in front of the White House? Is indirect BPA support likely for demonstrations at the current WTO?

The *fait accompli* recruiting card, "Call Al Gore"; from the Eugene October rallying of the troops is attached. Even though the Council or Corps of Engineers has by no means reached a conclusion to recommend removal of the four lower-Snake River Dams plus John Day, both groups make singular reference to the fabled salmon runs of the mid-eighteen-hundreds and then leap to "restore the salmon". Restore to what new runs and *average-cost-per-salmon*? --- certainly not to the implied mid-1800s levels. If only restored to recent history runs before those dams; a simple check of *Fish and Game* reports at our public library show that those historical runs were lost long before any of the Lower Snake River dams and that recent year-to-year variations simply do not support a *remove-the-dams* conclusion. The factor of two or three improvements amongst the various *scientific alternatives* projected in "NWPPC NEWS" for April 2000 are readily compassed by pre-dams year-to-year variations in the runs and hardly make an economics case for the cost of removal and for lost hydro-power, jobs, irrigation, aluminum industry and river navigation in *average-cost-per-salmon.*

BPA has had to spent $1.7 BILLION since 1981 to "Conserve", née, re-allocate some 724 average Megawatts (6.3 Billion kWhs) at *27¢/kWh!* "cumulative total since 1981"(see Page 14 from enclosed *BPA 1998 Fast Facts*). For "conservation" or for persuading some BPA customer to use less energy;

making of that energy available to some other group, our *Public Purpose* or *PACs* groups acting for the Northwest Power Planning Council ---

Item: The 1998 Progress Report of the *NW Energy Efficiency Alliance* and their October 4,1999 cover letter reports, "Our 32 projects have already saved 10 aMW electricity in the region . . . Expenses and Administrative Expenses, Total $ 15,318,619."

$15.32 Million for 10 aMW is 17.7¢/kWh

Item: Per CON WEB reports, "With $ 11.4 Million in BPA funding, the *Oregon Municipal Energy and Conservation Agency* members captured 5.6 aMW of energy savings from September 1994 to September 1999."

$11.4 Million for 5.6 aMW is 23¢/kWh

If the Congressman doubts that the $1.7 Billion squeezed out of BPA expenses goes to other than the Council's *"cost-effective-electric-conservation - power plant-major-resource"*, consider the following quoted from the enclosed NW Energy Coalition *flier* mailed earlier this month.

"Our recent achievements include:

- *Helping to pass a utility deregulation bill in Oregon that will save enough electricity every year through conservation to power 12,000 homes, increase investments in new renewable resources, and save $10 Million annually to help working families pay their electric bills;*
- *Supporting partial removal (sic) of four dams on the Lower Snake River in Washington to restore endangered salmon and steelhead runs and replacing the power with clean energy; and*

Securing over $15 Million in regional funds for low income weatherization in Oregon, Washington, Montana and Idaho."

They might have added to the above (although more in Rachel Shimshak's bailiwick of BPA largess), *Helping to pass Oregon legislation* avoiding the *EPA Environmental Impact Statement for a Klamath Falls global-warming, n-gas-fired 500 MW CCCT* --- setting the currently attained industry CCCTs efficiency as legislated criteria, and ---- founding a scheme of pollution-indulgence payments to a "not-for-profit" attached to those *public-purposes-PAC* organizations. BPA had to R.I.F. a lot of world renowned engineering staff-payroll to hire the Council's minions.

I filled timely Comment on the EIS, calling for evaluation of the alternatives to n-gas fired (evaluations of solar voltaic power plant and conservation power plant alternative technologies) as required under EPA rules; being rudely ignored by both the Council and BPA such overt omission to respond to EPS-statutes, was negatively scored by the EPA, apparently remanding the EIS back to BPA. The EIS lay dormant for some years while *Council's PACs* lobbied the State legislation exemption to allow the Klamath Falls CCCTs to begin

construction (right in the middle of relatively clean geothermal!) ---- and now Hermiston, Satsop and several others CCCT polluters are being slipped in under this same *Resource Contingency Program EIS* which may as yet be un-approved by the EPA. The EPA EIS should be revisited to determine whether Oregon can exempt Scottish Power, *et al* from federal rules and that EIS exemption extended to enable the several thousand megawatts of new CCCTs the Council has directed BPA to honor in future plans. The Councils 4th Power Plan overtly determines ZERO STRATEGIC SOLAR VOLTAIC GENERATION and "6800 aMW of energy at a cost of 2.7¢ to 3.3¢/kWh from 7400 megawatts of gas-fired capacity (p.1-5)", being patently deceptive, erroneous and incompetent "study in very great depth" from the Council. First, no CCCT can expect to operate at the "Council Engineering" 92% gross capacity factor ($^{6800}/_{7400}$), especially in an area like Klamath Falls subject to smog-alerts and EPA-no-burn-days. And, ever since my Petition to admit strategic solar photovoltaic power plants and demit conservation power plant from the 1991 Power Plan, strategic solar power rejected by the Council and BPA (being generous, under the regional act they acted as they couldn't help simply asking how high when told to jump by the Council.

Congressman DeFazio, this all points at a scandalous rip-off of BPA funds that could have purchased the plant-structure and power-apparatus to accommodate a power capacity of some 10,000 MW of Solar Voltaic Unit Generator Modules --- that being in interface-stations/plants distributed at customer/associate sites around the FCRPS. Provisioned with current technology Modules, would produce about 2000 aMW annually instead of the 750 aMW *"conservation major resource"* spread over twenty years. The deceptive numbers in the 4th Power Plan Modules,"identify 1535 aMW of electricity that could be obtained over the next 20 years at an average levelized cost of 1/7¢/kWh (p. 1-6)"; a bit of Council *smoke and mirrors*; cumulative over twenty years not 1535 aMW in any single year ever. Modules that DOE/Jet Propulsion Laboratory programs showed in 1980 should cost less than $150 per kilowatt of capacity in such tens of gigawatts production. Even back in 1980 as a paid consultant for the DOE/JPL I showed real-world, high-production, value-analysis models to confirm that cost. At that factory-cost the manufacturer or owner of the modules could make a comfortable return on investment in Modules selling energy to BPA at 1.0¢ to 1.5¢ / kWh.

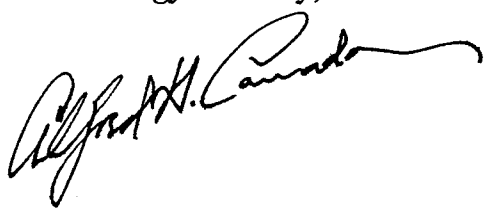
When you conducted the *slam-BPA-hearings* in Portland, upon which the main conclusion was heard to be --- for BPA to *buy-more-conservation-resource*; my prepared testimony for that hearing and an exhibit of a full-size mockup of such a Solar Voltaic Power Plant was thwarted. I handed you a copy with pictures but barely got a glance as you left the Hearing. Again and again I've tried to show the carefully developed economics and engineering for this SVG generic plant. Neither Council, DeFazio Hearings, Comprehensive Review, nor the current Rate Case Workshops/Hearings would permit any discussion or presentation. Yet this matter has been thoroughly briefed and critiqued in our

Power Engineering Society of the Institute of Electrical and Electronics Engineers (see enclosed piece from our Portland PES Chapter BEEEP).

Perhaps the Congressman is to participate in the *August 2-4 Electric Revolution II* where the listed sponsors are the *U.S. House Renewable Energy Caucus* and *the Bonneville Power Administration* with your recent announcement card asks the questions : *< How will the Pacific Northwest meet a 3600 aMW shortfall in electricity?; < How will we overcome growing transmission reliability issues?; and < Do emerging technologies provide the answer?* I do not expect to be asked to present the Strategic Solar Voltaic Power positive responses to these questions nor expect to be able to afford the exclusionary entrance fees that Angus Duncan commenced charging for his *update soirees* back at his first such in late 1995 at *Lewis & Clark College* (about the time *Monica* was enrolled).

I suggest that there may be an over-ripe scandal latent in the Council's calls for funding *CONSERVATION* and the Council's *POLITICKING.* It should be audited in depth by the *DOE Inspector General* or by the *General Accounting Office.* Close to elections, this may not be a *Democrat's* thing for the Gore & Richardson ticket but must be done before the current Rate-Case locks our Pacific Northwest into market-rates, into n-gas fired CCCTs, into take-or-pay subscription contracts, into mileage charges on transmission, into growth loads being pushed to independent power producers market-rates CCCTs, and into some new and unskilled operators of our complex system of hydro-electric and water-usage ------ hopefully, to rapidly realize that strategic solar voltaic electricity enables solar/hydro storage buffering for flood/navigation/irrigation/water desalination/pumped storage/ fish- passage enhancements ---- and the abundance to satisfy and more the looming problems posed for your ELECTRIC *Revolution II* in August. Just perhaps incorporation of Customer/Associates and solar-power sites into a Bonneville Power ASSOCIATION, so that we the people can own, operate and grow with the system that we've almost finished paying for, is out of the question for August 2nd to 4th or ever; in the light of the following *"how high?"* quoted from the November 1994 issue of *BPA's Issues Update* publication; *"Bonneville would become a government corporation headed by an Administrator appointed by the Secretary of Energy. An additional layer of accountability, negotiated by Council Member Angus Duncan, would require an Annual Program Report explaining how Bonneville intends to carry out the Council's plans regarding acquisition of major resources."*

Respectfully yours for Strategic Hydro/Solar Electric Energy Decency,



Alfred H. Canada

cc: Judy Johansen, Administrator, BPA

NW Energy Coalition
For a clean and affordable energy future
219 First Avenue S, #100
Seattle, WA 98104

SEATTLE SEP 21 '99 WA
PB METER 3115248
.20
U.S. POSTAGE

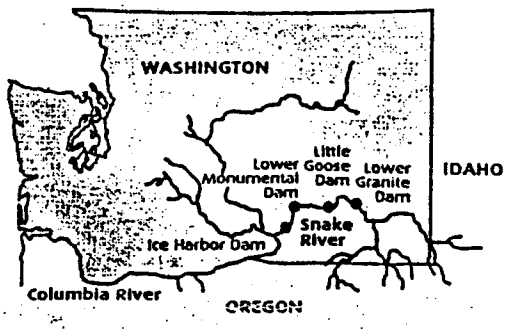
Alfred Canada
336 Eric Way
Grants Pass, OR 97526

Can't make the event? **Call Al Gore** and tell him to support partial removal of the 4 Lower Snake River dams to save endangered salmon

(202) 456-1414 or vice.president@whitehouse.gov

REMOVE DAMS
Restore Rivers
RETURN SALMON

Thursday, October 14
7:30pm
University of Oregon
Lawrence Hall Room 177
Hosted by the Solar Inforamtion Center



Partially removing just these four dams — of over 500 dams in the Northwest — is the only way to save endangered Snake River salmon.

Join the NW Energy Coalition, OSPIRG, Save Our Wild Salmon, Oregon Environmental Council, Oregon Energy Coordinators Association, Solar Energy Association of Oregon and other sponsors for a slideshow and panel at U of O.

Find out how partially removing 4 dams on the Lower Snake River and replacing their power with clean energy is affordable and will restore endangered salmon.

THIS EVENT IS FREE! Call Barb Wilson at 206-621-0094 for more info

NW Energy Coalition member organizations

Association for the Advancement of Sustainable Energy Policy – BC
Alaska Housing Finance Corporation – AK
Alliance to Save Energy – National
Alternative Energy Resources Organization – MT
American Rivers – National
A World Institute for a Sustainable Humanity – International
Citizens Utility Board – OR
Clallam-Jefferson Community Action Council – WA
Climate Solutions – WA
Cold Spring Conservancy – WA
Community Action Directors of Oregon
Earth and Spirit Council – OR
Emerald People's Utility District – OR
Eugene Future Power Committee – OR
Eugene Water & Electric Board – OR
Fair Use of Snohomish Energy – WA
Friends of the Earth – National
Golden Eagle Audubon Society – ID
Greenhouse Action – WA
Greenpeace – National
Housing and Community Service Agency of Lane County – OR
Human Resources Council, District XI – MT
Idaho Citizens Network – ID
Idaho Conservation League – ID
Idaho Consumer Affairs – ID
Idaho Rivers United – ID
Idaho Rural Council – ID
Idaho Wildlife Federation – ID
Kootenay-Okanagan Electric Consumers Association – BC
League of Utilities and Social Service Agencies – OR
League of Women Voters – ID, OR, WA
Metrocenter YMCA – WA
Montana Environmental Information Center – MT
Montana Public Interest Research Group – MT
Montana River Action Network – MT
Missoula Urban Demonstration Project – MT
Mountaineers – WA
National Center for Appropriate Technology – MT
Natural Resources Defense Council – National
Northern Plains Resource Council – MT
Northwest Energy Efficiency Council – WA
Northwest Resource Information Center – ID
Opportunity Council – WA
Oregon Action – OR
Oregon Energy Coordinators Association – OR
Oregon Energy Partnership – OR
Oregon Environmental Council – OR
Oregon Student Public Interest Research Group – OR
Pacific Northwest Regional Council of Carpenters – Regional
Pacific Rivers Council – OR
Portland Energy Conservation, Inc. – OR
Puget Sound Council of Senior Citizens – WA
Renewable Northwest Project – OR
Rivers Council of Washington – WA
Salmon for All – OR
Save Our *Wild* Salmon Coalition – Regional
Seattle Audubon Society – WA
Seattle City Light – WA
Sierra Club – Regional
Sierra Club of British Columbia – BC
Snohomish County Public Utility District – WA
Solar Energy Association of Oregon – OR
Solar Information Center – OR
South Central Community Action Agency – ID
Southeastern Idaho Community Action Agency – ID
Spokane Neighborhood Action Programs – WA
Tahoma Audubon Society – WA
Tennessee Valley Energy Reform Coalition – TN
Trout Unlimited – National
Union of Concerned Scientists – National
Washington Citizen Action – WA
Washington Environmental Council – WA
Washington Public Interest Research Group – WA
Washington Solar Energy Industries Association – WA
Washington State Association of Community Action Agencies – WA
Washington Wilderness Coalition – WA
Working for Equality and Economic Liberation – MT
Yakima Valley Opportunities Industrialization Center – WA

Associate Members
Avista Utilities – WA
Puget Sound Energy – WA

Supporting Members
City of Ashland – OR
Clackamas County Weatherization – OR
Department of Community, Trade and Economic Development – WA
Housing Authority of Skagit County – WA
Multnomah County Weatherization – OR
Rocky Mountain Institute – National

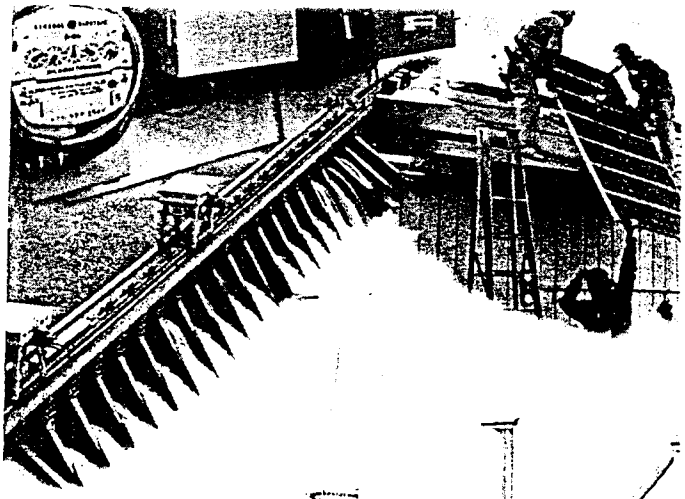
The NW Energy Coalition is a member of Earthshare of Washington

Earth Share of Washington

NW Energy Coalition

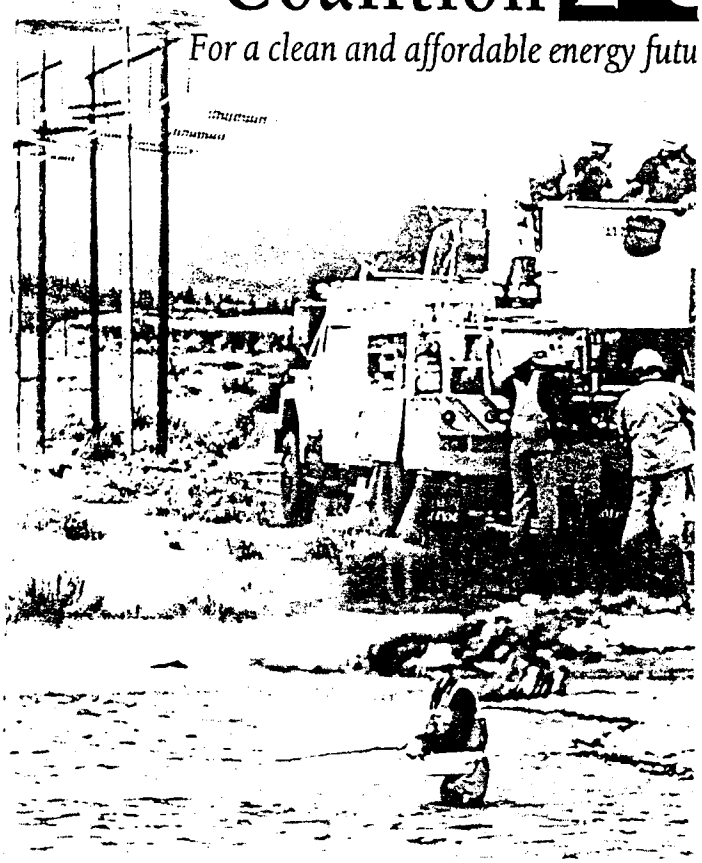
For a clean and affordable energy future

219 1st Ave S, Suite 100
Seattle, WA 98104
(206) 621-0094 phone
(206) 621-0097 fax
nwec@nwenergy.org
www.nwenergy.org



NW Energy Coalition

For a clean and affordable energy futu



The Power of Coalition

The NW Energy Coalition is an alliance of more than 85 community and environmental organizations, utilities and businesses from Oregon, Washington, Idaho, Montana, and British Columbia. Founded in 1981, the Energy Coalition promotes energy conservation, clean, renewable sources of power, protection for consumers and low-income households, and salmon restoration in the Columbia and Snake Rivers.

The NW Energy Coalition works through public interest advocacy, member outreach and the media to ensure a clean and affordable energy future for all citizens of the Northwest. Our diverse and active membership makes the Energy Coalition the most influential public interest voice on energy policy in the region.

Our recent achievements include:

- helping to pass a utility deregulation bill in Oregon that will save enough electricity every year through conservation to power 12,000 homes, increase investments in new renewable resources, and reserve $10 million annually to help working families pay their electric bills;
- supporting partial removal of four dams on the Lower Snake River in Washington to restore endangered salmon and steelhead runs and replacing the power with clean energy; and
- securing over $15 million in regional funds for low-income home weatherization in Oregon, Washington, Montana and Idaho.

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Official File Copy

EXECUTIVE OFFICE

SEP 26 2000

In reply refer to: KR-7C

The Honorable Jennifer Dunn
U.S. House of Representatives
Washington, DC 20515

Dear Representative Dunn:

Thank you for your letter of August 22, 2000, requesting that the Bonneville Power Administration (BPA) delay signing additional long-term Subscription power sale contracts (Subscription contracts) in order to reconsider the distribution of power benefits. As you note, last month BPA suspended the signing of our Subscription contracts in order to address the potential for increased costs during the fiscal year 2002 through 2006 rate period. This is a very important issue for BPA and the beneficiaries of the Federal Columbia River Power System (FCRPS). We appreciate your interest in this issue and your concern for its impact on your constituents.

As you know, BPA is considering modifications to its 2002 Final Power Rate Proposal. Since we concluded the rate hearing underlying BPA's proposal in May of this year, the wholesale market price for power has increased dramatically and prices have been extremely volatile. BPA used a forecast of 28 mills for future power purchases in its rate case, and today price forecasts are in the 40-60 mill range. In addition, our public preference customers are indicating they will place as much as 1,400 average megawatts more of their load with BPA than we anticipated in the rate proposal. You will recall that many of these customers diversified their supply portfolios in 1996 to take advantage of the low prices available in the short-term markets at that time. While we anticipated that much of this load would come back to BPA in 2001, it now appears that all of it will. Because the commitments we made to the investor owned utilities (IOUs) and the direct service industries (DSIs) already had taken us beyond the limits of the existing federal generation, additional loads will have to be served through wholesale market purchases. The cost of these purchases will so undermine our financial stability that our probability of making our annual payment to the U.S. Treasury with our proposed rates will be below 65 percent.

Based on the strong support I received for a limited re-opening of the rate case, I announced that BPA would seek a limited modification of our proposed rates, specifically in the Cost Recovery Adjustment Clause. The modification would give BPA the flexibility to address the potential for increased load and power purchase costs during the rate period.

With this approach in play, BPA resumed signing Subscription contracts. We believe it is extremely important to the stability of BPA and the region to complete Subscription in a timely

manner. These contracts secure BPA's ability to meet its financial obligations, including its fish and wildlife recovery obligations, at cost-based rates. Cost-based rates, which are under attack from outside the region, provide our region with a measure of financial stability that is important to the economy and the citizens.

BPA's Power Subscription Strategy reflects a careful balance of regional interests and an earnest effort by all parties to arrive at a fair allocation of the limited benefits of the FCRPS within the confines of the law. Subscription reflects the fact that, by law, BPA must meet all public agency net requirements in the Northwest. As you know, Subscription also provides a means for BPA to continue providing benefits to the residential and small farm customers of the IOUs in the region.

As I have noted in previous correspondence with you, the benefits available to your constituents under the proposed Subscription settlement of the Residential Exchange Program would be greater than those they would receive under the traditional Residential Exchange Program. BPA will work with its IOU customers and the state public utility commissioners to see that this will continue to be true under the rate modification we will seek.

While I do not believe that granting your request would be in the best interest of the region, my goal in this process continues to be a fair sharing of the benefits of the FCRPS among your constituents and those of your colleagues in the Northwest congressional delegation.

If you have any further questions, please feel free to contact me at (503) 230-5102.

Sincerely,

Judith A. Johansen
Administrator and Chief Executive Officer

JENNIFER DUNN
8TH DISTRICT, WASHINGTON

COMMITTEE ON WAYS AND MEANS
OVERSIGHT
TRADE

UNITED STATES
HOUSE OF REPRESENTATIVES

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WASHINGTON, D.C. 20515
(202) 225–7761
dunnwa08@mail.house.gov

DISTRICT OFFICE:
2737 78TH AVENUE, SE
SUITE 202
MERCER ISLAND, WA 98040
(206) 275–3438
(800) 955–3866

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #:2000-0389
RECEIPT DATE:
8-28-00
DUE DATE:
9-11-00
Assign: KR-7-C
cc: A3, K, KN, L, P

August 22, 2000

The Honorable Judi Johansen
Administrator
Bonneville Power Administration
905 NE Eleventh Avenue
Portland, OR 97232

Dear Administrator Johansen:

I am requesting that the Bonneville Power Administration (BPA) delay signing additional long-term subscription contracts until it ensures a fair distribution of power benefits to the people I represent.

While we all support efforts to ensure that BPA meets its debt obligations, I am concerned about the issue of fairness. The benefits for residential customers served by investor owned utilities (IOUs) are currently fixed over the next five years. Other BPA customers, however, are now asking for even more power, which will further increase the disparity of benefits provided to residential customers served by IOUs compared with the benefits that other customers receive. If BPA is planning to increase benefits for one group of its customers, it should also increase the benefits for residential customers served by IOUs.

I am also concerned that BPA's efforts to meet the additional power demand may increase the trigger and amount that can be recovered from the Cost Recovery Adjustment Clause in contracts. Consequently, residential customers served by IOUs, as well as other customers, may have to pay more in rates than anticipated. Furthermore, the monetary benefits provided to residents that I represent may decrease if BPA makes changes to its rates.

In light of the price volatility in the market and the additional power demands placed on BPA, I believe that the region needs additional time to develop a consensus on the issues of fairness and adequacy of power to meet the regional needs. I request that you consider delaying signing long-term contracts, as you have currently done with all contracts during this moratorium, and address the fairness of the distribution of power to your customers and the people I represent.

Thank you in advance for your response. If you have any questions, feel free to contact me at 202-225-7761.

Best regards,

Jennifer Dunn

JENNIFER DUNN
Member of Congress

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Official File Copy

EXECUTIVE OFFICE

OCT 16 2000

In reply refer to: KR-7C

The Honorable Greg Walden
U.S. House of Representatives
Washington, DC 20515

Dear Representative Walden:

Thank you for your letter of September 18 suggesting ways that Bonneville Power Administration (BPA) could assist the Direct Service Industries (DSI) in alleviating their current power supply problems. I appreciate your continued concern about the economic health of the regions you represent.

As we have discussed in the past, BPA is also concerned about preserving jobs in this region, and we are very sensitive to the importance of low-cost power to the Northwest DSIs' continued operation. A number of specific ideas have been proposed to help the DSIs, and we would expect the study, which you mention, to suggest additional approaches.

With regard to your suggestions, BPA does plan to conduct a public process on our New Large Single Load (NLSL) policy sometime this fall. We have been contacted by numerous elected officials asking that BPA open up the NLSL policy so that public utility customers could purchase up to 10 megawatts (MW) per year at our lowest rate in order to serve their local DSIs. I assure you that we will give careful consideration to this in making our decision on the NLSL policy revisions.

You also ask that BPA find ways to support DSI development of generating resources. As you know, BPA has just signed a Memorandum of Understanding (MOU) with Goldendale Aluminum Company (Goldendale). Goldendale has proposed that BPA participate as a back-up purchaser of power produced by a 248 MW combustion turbine that Goldendale proposes to build in Klickitat County, Washington. The intent of BPA's participation is to enable Goldendale to get more favorable financing terms for the project. The MOU says that both parties agree to continue to work toward resolution of specific terms under which BPA could participate.

BPA has established several principles which must be met before it would agree to help Goldendale or any other DSI to develop new resources, and we have shared these principles broadly within the region. Among them were that the project should not result in cost shifts to

BPA's other customers. The project must also allow BPA to maintain its ability to meet its fish and wildlife funding obligations.

With the Pacific Northwest facing an energy deficit, new generating supply must come on-line soon in order to keep pace with the growth in the economy. BPA may be able to support new resource development in ways that help the region maintain a reliable and low-cost energy supply as well as helping to preserve Northwest jobs.

I trust this is responsive to your requests. If you have any further questions, please feel free to contact me.

Sincerely,

Judith A. Johansen
Administrator and Chief Executive Officer

cc:
The Honorable Brian Baird
U.S. House of Representatives
Washington, DC 20515

Congress of the United States

Washington, DC 20515

September 18, 2000

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 2000.0425
RECEIPT DATE:
9.22.00
DUE DATE:
10.6.00

Administrator Judi Johansen
Bonneville Power Administration
Post Office Box 3621
Portland, Oregon 97208-3621

ASSIGN: KR-7C
cc: A3, K-7, KN/Wash, P-6

Dear Judi:

We are writing to express our concerns and request your assistance with regard to the difficult circumstances facing the aluminum industry in our respective districts.

Reductions in the amount of power provided to Direct Service Industries (DSIs) by the Bonneville Power Administration (BPA), along with high market energy prices, have created a crisis situation for Northwest aluminum plants. As a result, two DSI plants have closed, two others are partially shut down, and the remaining plants are now exposed to a greater risk of closure.

It is our hope that BPA will act quickly to avert further closures. We appreciate the fact that BPA has initiated a study of the economic value of the aluminum industry, the threat posed by higher prices, and what BPA can do to rectify the current situation. However, we are concerned that this step does not go far enough, quickly enough, to address these urgent circumstances in the short term. We believe there are two steps that BPA should consider in the interim to provide some immediate relief to the aluminum industry.

First, under the Northwest Power Act, publicly owned utilities can buy an average of 10 MW per year of additional power at BPA's preferred rate to serve new loads. BPA plans to begin a process this fall to determine whether it will allow former DSI loads which will no longer be served by BPA to be served instead by local public utilities as they do other local industries. While an additional 10 MW per year will not solve the current situation, it will provide some immediate relief and encourages the aluminum plants to invest in the future. It is our hope that BPA give close consideration to this proposal.

Second, several DSIs have suggested building new generating resources to help them meet the portion of their load that BPA no longer serves. This proposal will also help aluminum companies begin to transition their loads off BPA. In addition, it will help BPA by providing voltage support, replacing flows and spills at dams to assist salmon passage, and reducing the

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need for new transmission lines across the Cascades. The proposal also has the potential to benefit all Northwest residents by helping to meet the region's current and future power needs.

In order to be economically viable, however, BPA needs to support development of the these generating projects through purchase/resale or contingent backup purchase agreements that reduce financing costs, and a credit for transmission and other benefits BPA receives from the development and location of the project. We strongly urge your consideration of approving a proposed pilot project while BPA works through the broader DSI study.

The viability of these industries is crucial to the economic success of several communities in our districts and across the Pacific Northwest. We believe that BPA has the ability and responsibility to assist the DSIs in alleviating their current power problems, and we hope that you will be supportive of these creative solutions. We would be pleased to work with you in whatever way might be helpful to discuss these ideas further.

Sincerely,

Greg Walden
Member of Congress

Brian Baird
Member of Congress

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Official File Copy

EXECUTIVE OFFICE

OCT 16 2000

In reply refer to: KR-7C

The Honorable Brian Baird
U.S. House of Representatives
Washington, DC 20515

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With the Pacific Northwest facing an energy deficit, new generating supply must come on-line soon in order to keep pace with the growth in the economy. BPA may be able to support new resource development in ways that help the region maintain a reliable and low-cost energy supply as well as helping to preserve Northwest jobs.

I trust this is responsive to your requests. If you have any further questions, please feel free to contact me.

Sincerely,

Judith A. Johansen
Administrator and Chief Executive Officer

cc:
The Honorable Greg Walden
U.S. House of Representatives
Washington, DC 20515

Congress of the United States

Washington, DC 20515

September 18, 2000

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 2000.0425
RECEIPT DATE:
9.22.00
DUE DATE:
10.6.00

Administrator Judi Johansen
Bonneville Power Administration
Post Office Box 3621
Portland, Oregon 97208-3621

ASSIGN: KR-7C
cc: A3, K-7, KN/Wash, P-6

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Sincerely,

Greg Walden
Member of Congress

Brian Baird
Member of Congress

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Official File Copy

EXECUTIVE OFFICE

NOV 1 2000

In reply refer to: KR-7C

The Honorable Slade Gorton
United States Senate
Washington, DC 20510-4701

Dear Senator Gorton:

Thank you for your letter of October 5, 2000, requesting that we at Bonneville Power Administration (BPA) do everything we can to site a proposed transmission line for the Maple Valley area in non-residential areas. First, let me thank you for your continued leadership in the Congress on the issues of reliability in the nation's bulk power system.

Bonneville is proposing to build a 500-kilovolt transmission line from the community of Kangley to BPA's substation at Echo Lake. You are correct that the purpose of the proposed line is to assure reliability of the power grid in the Puget Sound area. System reliability in this area has been threatened for some time. BPA and other utilities have worked hard to strengthen the system to meet the area's continued growing needs. Interim measures, such as installing shunt capacitors within substations, have up to now worked to support the system. Due to the continued load growth in the area, though, interim measures will not totally solve the problems. A new transmission line, Kangley—Echo Lake, is necessary to preserve the continued reliability of the system in the face of continued load growth.

As you may know, as a result of comments we received in a September public meeting in Maple Valley, BPA has announced that it has dropped three alternative routes from consideration. These routes ran through residential areas. On October 6, 2000, BPA sent a letter to concerned citizens explaining the decision. It said that the dropped options would have been longer and twice as expensive as the remaining four proposed routes. The options also would have required moving many homes and other structures, and would have imposed greater disruption on existing land uses.

BPA will continue to study the remaining four routes, which all go through the Cedar River Municipal watershed, as well as a "no action" alternative. BPA is now preparing a draft Environmental Impact Statement (EIS) to analyze the costs and benefits of each of the alternatives. We expect the draft EIS to be available for public comment in early summer of 2001.

I trust this is responsive to your concerns. If you have any other questions or if I can be of more assistance, please contact me or have your staff contact Lou Driessen, at 503-230-5525.

Sincerely,

for Judith A. Johansen
Administrator and Chief Executive Officer

SLADE GORTON
WASHINGTON

730 HART SENATE OFFICE BUILDING
(202) 224-3441
www.senate.gov/~gorton

COMMITTEES:

APPROPRIATIONS

BUDGET

COMMERCE, SCIENCE, AND TRANSPORTATION

ENERGY AND NATURAL RESOURCES

INDIAN AFFAIRS

United States Senate

WASHINGTON, DC 20510-4701

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 2000-0465
RECEIPT DATE:
10-12-00
DUE DATE:
10-26-00

October 5, 2000

Judi Johansen
Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

Received in Mail on 10/16/00
ASSIGN: KR-7C
cc: A-7, D-7, K-7, KN/Wash, P-6, L-7, TDitt2

Dear Judi:

I have been hearing from many constituents in the Maple Valley area regarding Bonneville's proposed transmission line upgrade in their area. Several of the options run near or through residential neighborhoods.

As I have been informed, this transmission line upgrade is necessary to maintain reliable service in parts of the Puget Sound area. I am sympathetic to such concerns, as I have been leading the effort in Congress to promote the reliability of our nation's bulk-power system.

However, it appears that other options are available that allow for locating the line in non-residential areas. Given that a transmission line will be very disruptive to the affected neighborhoods, I urge you to do everything you can to site the transmission line in appropriate non-residential areas.

I am aware that State Representative Cheryl Pflug and Metropolitan King County Council Member David Irons have written you with more detailed observations of this project. I endorse their efforts and their intent regarding the location of the line.

If there is anything I can do to assist you in locating the line in non-residential areas, please let me know. Feel free to contact me if you wish to discuss this further, and I look forward to hearing from you on the status of the project.

Sincerely,

SLADE GORTON
United States Senate

10900 N.E. FOURTH STREET
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BELLEVUE, WA 98004
(425) 451-0103

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SUITE #8
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130 FEDERAL BUILDING
500 WEST 12TH STREET
VANCOUVER, WA 98660
(360) 696-7838

697 U.S. COURT HOUSE
W. 920 RIVERSIDE AVENUE
SPOKANE, WA 99201
(509) 353-2507

BOX 4083
402 EAST YAKIMA AVENUE
YAKIMA, WA 98901
(509) 248-8084

8915 W. GRANDRIDGE BLVD.
SUITE M
KENNEWICK, WA 99336-2125
(509) 783-0640

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SLADE GORTON
WASHINGTON
730 HART SENATE OFFICE BUILDING
(202) 224-3441
www.senate.gov/~gorton

United States Senate

WASHINGTON, DC 20510-4701

COMMITTEES:
APPROPRIATIONS
BUDGET
COMMERCE, SCIENCE, AND TRANSPORTATION
ENERGY AND NATURAL RESOURCES
INDIAN AFFAIRS

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 2000-0455
RECEIPT DATE: 10-12-00
DUE DATE: 10-26-00

October 5, 2000

Judi Johansen
Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

Received by FAX on 10/12/00
ASSIGN: KR-7C
cc: A-7, D-7, K-7, KN/Wash, P-6, L-7, T/Ditt2

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Sincerely,

SLADE GORTON
United States Senate

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Suite #2116
Bellevue, WA 98004
(425) 451-0183

11120 Canyon Lake Drive SW
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Lakewood, WA 98499-1368
(253) 581-1646

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Vancouver, WA 98660
(360) 696-7838

837 U.S. Court House
W. 920 Riverside Avenue
Spokane, WA 99201
(509) 353-2987

Box 4053
403 East Yakima Avenue
Yakima, WA 98901
(509) 248-8084

8915 W. Grandridge Blvd.
Suite M
Kennewick, WA 99336-9135

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Official File Copy

EXECUTIVE OFFICE

NOV 1 2000

In reply refer to: KR-7C

The Honorable Peter A. DeFazio
U.S. House of Representatives
Washington, DC 20515-3704

Dear Representative DeFazio:

Thank you for your letter of September 26, 2000, expressing your concerns about the Northwest's formation of a Regional Transmission Organization (RTO). As you know, Bonneville Power Administration (BPA) and eight investor-owned utilities (filing utilities) have been active in developing the framework for "RTO West." Together, the group has worked with our customers, constituents, and other stakeholders in the region in a collaborative process to develop the RTO structure and proposal.

On October 16, the filing utilities submitted a compliance filing to the Federal Energy Regulatory Commission (FERC), consistent with FERC Order 2000, that briefly described the status of RTO development. On October 23, the filing utilities submitted additional detail to complete a Stage 1 filing of the RTO West proposal. The filing utilities expect to submit a Stage 2 filing by Spring 2001 that will complete the proposal for a full FERC ruling.

However, BPA believes that Congress, and particularly the Northwest's congressional delegation, must be closely consulted prior to making any irreversible commitments. We anticipate thoroughly briefing you and your staff early next year.

BPA believes that RTO West as proposed has the potential to improve competitive power markets in a manner that will benefit all electricity consumers. The Regional Representatives Group (RRG) worked to achieve consensus on RTO issues and create an RTO that provides sustainable benefits while mitigating impacts to customers and consumers. The RTO West filing utilities chartered a Benefits-Cost work group to compile a report assessing the potential benefits an RTO would provide for the region. The work group was composed of representatives of the RTO West filing utilities as well as customer and other stakeholder representatives from around the region.

Analysis of potential benefits and costs has demanded significant effort and refinement. A final draft of the report was released to the RRG on October 24, and is attached for your review. Some benefits and costs have been quantified. Others – such as the benefits of providing clear planning authority to ensure reliable service to load or the benefits associated with obtaining all transmission services from a single entity – are by their nature difficult to precisely quantify.

The report estimates savings from improved grid reliability in the range of $33 to $328 million annually. This is admittedly a wide range, and illustrates the difficulty of precisely estimating the value customer's place on forestalling future widespread power outages. However, we have no doubt that the RTO will improve overall grid reliability, thus reducing the potentially catastrophic expenses that widespread power outages could cause.

In fact, improved reliability with the centralized operation of a multi-owner, inter-state grid is the strongest benefit of the RTO. By putting all transmission under a single operator, the RTO should be able to more efficiently operate the grid, identify and enable needed physical improvements to the grid on a timely basis, and prevent or minimize duration of outages. Providing access to the entire grid in one place will also help customers. It will no longer be necessary to shop in multiple places to try to pull together the transmission to do a transaction. This should reduce wholesale transmission costs and ultimately costs to consumers over time.

Summarized below are some specific findings of the report:

- Centralized management and operation of the entire grid, with better visibility, reduces the likelihood of cascading or system-wide power outages, and allows for rapid restoration of the system following an outage.
- RTO West will have clear planning authority to ensure that system investments are made if they are needed for reliable service to load.
- Better estimates of available transmission capacity and more effective management of parallel paths should permit greater overall use of the regional transmission system.
- RTO West will allow for more efficient dispatch of current generation resources, delaying the need for generation expansion.
- RTO West will facilitate more appropriate market signals, increase trading, and provide savings and efficiencies by providing one stop shopping for reservations and purchases of transmission services.
- The RTO will eliminate rate pancaking, thus providing more efficient, cost-effective service to consumers. Modest fuel savings result from more efficient dispatch (on the order of $30 million annually) in the Western Systems Coordinating Council (WSCC) area.
- Regulating reserves requirements of RTO West will be 364 megawatts less than the current arrangement of multiple control areas. The expected capacity savings are worth $28 million annually, based on BPA's tariff rates for this product.
- The annual costs of implementing an RTO, assuming 501(c)(3) tax-exempt status, are estimated to be about $63 million, which includes $13 million amortization of start-up costs of $82 million. These costs include computer systems, communications, support contracts, facilities and staffing at a level of 277. If startup costs exceed this initial estimate by 100 percent, annual costs would increase to $76 million. Reserves for capital or operating contingencies could raise the revenue requirement of RTO West to a total of $89 million.

Other potential costs include retaining the services of a scheduling coordinator; operating secondary markets for transmission rights over constrained paths; and the risk, for some loads, of exposure to market-based ancillary services prices. While costs of some new functions such as scheduling coordination may be incurred, offsetting savings should also occur as filing utilities turn over some functions they currently perform to the RTO.

Based on the analysis and information available, BPA continues to support development of an RTO that meets the future needs of the region, both for reliability and efficiency. BPA will continue to evaluate and assess its participation in an RTO against its principle that an RTO must provide sustainable benefits.

BPA is also keeping its commitment to address the transmission needs of rural utilities and seeking to mitigate adverse impacts that might result from RTO formation. Under the proposed RTO West, customers must choose a Scheduling Coordinator (SC) and execute a contract for SC services. BPA's decision to provide SC services to its full requirements and simple partial requirements customers will simplify the business environment for these customers. BPA will continue to be their primary interface to the wholesale power market and the electrical grid. They will have the option to maintain their current transmission contracts. In addition, BPA will meet the great majority of small customer electricity needs from the Federal Columbia River Power System (FCRPS).

The October 23 FERC filing lays the groundwork for RTO West, but many details – including the actual tariff, generation integration agreement, load integration agreement and congestion management plan – remain to be finalized. The RTO West governance structure also allows for amendments to be filed to address unforeseen issues right up until start-up if the filing utilities or the initial Board, once in place, determine the need to do so. The tariffs may also be revised after RTO West is operational. As the policies and decisions are developed for RTO West, BPA will continue to evaluate these proposals for their impacts on both BPA and our customers. BPA will also continue to work with its customers and constituents as we proceed with developing the remaining details of the proposal.

You ask also about whether a Northwest RTO would encourage exports to higher-priced markets by increasing the amount of trade between California and the Northwest. We do not believe the RTO will make a significant difference in the nature of the commerce in electricity between the Northwest and California. In fact, as you know, the Pacific Northwest and California have always been significant trading partners. The two markets are connected by high-voltage electric transmission interties capable of transferring 7,900 MW between them. The price for electricity in the California Power Exchange tracked closely with the price for electricity in the Northwest (at the Mid-Columbia Power Exchange and the California-Oregon border). This was true during last summer's market volatility, and it has been true for several years.

However, BPA sales to the ISO amount to less than 1 percent of the ISO FY2000 market volume. In FY2000, with 95 percent of average runoff, BPA's net sales to California and

southwest markets (sales less purchases) totaled 570 average megawatts (aMW) and generated net revenues of $229 million. BPA's total sales to California and other southwest markets represented about 11 percent of its total power sales, roughly 1,100 annual aMW. Revenues from these sales were a little over $456 million.

The RTO will change the charge that Pacific Northwest generators pay to move power to California. The costs will probably vary according to where the generation is located relative to the transmission path and whether the generator will be required to pay congestion management fees. Because of this, it is impossible to say whether the RTO will result in transmission costs being lower or higher for individual Pacific Northwest generators seeking to move power to California.

Any change in transmission pricing, however, is unlikely to make a significant impact on the market or cause much change in exports to California because the cost of transmission is a very small fraction of the cost of electricity transactions. The most important issue with respect to preserving Pacific Northwest resources for Pacific Northwest customers is retaining regional preference to the Federal Columbia River Power System (FCRPS) as spelled out in the 1964 Regional Preference Act (PL 88-552).

In closing, I appreciate your sincere concerns about the ability of electricity competition to deliver on the promise of reliable, low-cost, and efficient energy supply. I hope this is responsive to your concerns. We look forward to working with you and your staff in designing the final RTO so that all Northwest consumers will benefit. If you have questions before that meeting, please feel free to contact me or have your staff contact Jeff Stier, at 202-586-5640.

Sincerely,

/s/ Stephen J. Wright

Acting Judith A. Johansen
Administrator and Chief Executive Officer

Enclosure
Final Draft Report: "RTO Potential Benefits and Costs"

RTO West

Potential Benefits and Costs

Final Draft

October 23, 2000

EXECUTIVE SUMMARY

This report summarizes the results of attempting to identify and quantify benefits and costs to the regional electric power system that would occur as a result of implementing RTO West. Some, such as savings in regulating reserves and reliability improvements, have been quantified, while the value of eliminating pancaked rates via the RTO West pricing model is currently being examined. Other benefits and costs are discussed, but a lack of precise information has made it difficult to quantify these impacts. A discussion of their qualitative benefits and costs has been included. This report also contains an overview of start-up and annual operation costs for RTO West.

In quantifying its impacts, the RTO Benefits and Costs Team assumed RTO West would include British Columbia Hydro and that the RTO will perform as envisioned. To quantify the economic impacts on the power system, it used the AURORA model. The value of this model is discussed below, as are its limitations. In general, benefits and costs of RTO West are estimated to be:

- Regulating reserve savings are estimated to be 364 MW or approximately $28 million annually based on BPA tariff rates for this product. These savings come from taking advantage of the load diversity of the larger RTO control area (295 MW savings) and taking advantage of recent North American Electric Reliability Council (NERC) standards for a relaxation of regulation requirements (69 MW).

- The RTO Benefits and Cost Team has expended significant effort in attempting to model the effects that removal of pancaked rates within the RTO region would have on the market prices of electricity within the Western Systems Coordinating Council (WSCC). We have attempted to simulate the pricing decisions made including the company rates and the transmission transfer payments between RTO parties. To date, we have determined that:
  - Removal of the friction between the companies' transmission systems tends to lower market pricing in areas of current high prices and tends to raise them in areas of relatively lower prices. This will have differential impacts on loads, integrated utilities and independent power producers.
  - Due to more efficient dispatch, there is a modest fuel savings (on the order of $30 million annually) in the WSCC area as a result of implementing the RTO.
  - Generators that are currently available for service should be dispatched more efficiently, thereby delaying future generation expansion.

  Because of the modifications we have made to the AURORA model, the study results have produced significantly different results for small changes in input assumptions. We cannot, at this time, produce reliable conclusions

as a result of this modeling effort. We believe, however, that the likely shifts in power prices are of sufficient importance to market participants to warrant continued examination.

- The value of improved reliability is estimated to range from $33 to $328 million annually. The RTO should improve reliability because it will manage and operate the entire grid. That is, RTO West will have broad geographic visibility of the grid under its operational control. These changes should reduce the likelihood of cascading or system-wide power outages and provide more rapid restoration following an outage. In addition, RTO West will have clear planning authority with an ability to ensure system investments are made if they are needed for reliable service to load.

- The annual costs of implementing a regional RTO, assuming 501(c)3 tax-exempt status, is estimated to be about $63 million, which includes $13 million amortization of start-up costs of the $82 million initial cost. These costs include computer systems, communications, support contracts, facilities and staffing at a level of 277. If the start-up costs exceed this initial estimate by 100 percent, the annual cost would increase to $76 million. Reserves for capital or operating contingencies could raise the revenue requirement of RTO West to a total of $89 million.

Qualitative benefits of RTO West include the expectation it will facilitate more appropriate market signals, increase trading, provide savings and efficiencies by shopping at one open access same time information system (OASIS) for reservations and purchases of RTO transmission services. In addition, it is expected to provide benefits from changes in the way it will manage transmission congestion, improve reliability of the transmission system through clear planning authority and greater visibility of the grid, and reductions in filing utility staffs.

Qualitative costs include the cost of having to retain a schedule coordinator at some utilities, the cost of operating secondary markets for transmission rights over constrained paths, the risk to some loads of exposure to market-based ancillary services prices and the market imperfections that may occur should this RTO get the market rules wrong.

reserves and a range of reliability benefits due to avoided outages or reduced outage duration.

The report only describes qualitatively many costs and benefits, such as using Firm Transmission Rights (FTR) to allocate scarce transmission capacity, centralized regional grid planning and better outage coordination. It does not discuss possible positive or negative impacts of the RTO on the development of innovative transmission and ancillary service products and markets, or changes to market power and its impacts.

Quantifiable benefits and costs –

- **Regulating Reserves Savings--**
  The RTO West structure, which includes one overall control area encompassing all of the pooled transmission facilities and the resources interconnected to them, will result in regulating reserve savings of 364 MW or $28 million annually based upon BPA tariff rates for these products. These savings come from two areas: taking advantage of the load diversity in the broader geographic scope of the RTO (295 MW savings) and taking advantage of recent North American Electric Reliability Council (NERC) standards for a relaxation of regulation requirements (69MW).

- **Effects of elimination of pancaked rates –**
  The Team has expended significant effort in attempting to model the effects that removal of pancaked rates within the RTO region would have on the market prices of electricity within the WSCC. We have attempted to simulate the pricing decisions made including the company rates and the transmission transfer payments between RTO parties. To date, we have determined that:
  - Removal of the friction between the companies' transmission systems tends to lower market pricing in areas of current high prices and tends to raise them in areas of relatively lower prices. This will have differential impacts on loads, integrated utilities and independent power producers.
  - Due to more efficient dispatch, there is a modest fuel savings (on the order of $30 million annually) in the Western Systems Coordinating Council (WSCC) area as a result of implementing the RTO.
  - Generators that are currently available for service should be dispatched more efficiently, thereby delaying future generation expansion.
  - The AURORA model assumes that the only impact on efficiency and competitiveness results from eliminating rate pancaking. The same level of trading liquidity and price discovery with and without an RTO.
  - The removal of pancaked rates would promote a more efficient generation expansion program and more efficient dispatch of generation.

Because of the modifications we have made to the AURORA model, the study results have produced significantly different results for small changes in input assumptions. We cannot, at this time, produce reliable conclusions as a result of this modeling effort. We believe, however, that the likely shifts in power prices are of sufficient importance to market participants to warrant continued examination.

- **Reduced exposure to large-scale grid outages --**
The RTO is expected to reduce exposure to large-scale grid outages. That is estimated to provide benefits in the range of $33 to $328, provided the transition to the new RTO structure is successfully implemented. RTO West will have greater visibility of the grid it will manage than any of the participating utilities do today.

  The western interconnection operates as a single electric system. Often events far removed from one system affect another. Consolidation of information about the transmission system elements and interconnected resources should facilitate operating the grid more reliably. Reduction in the frequency of large scale, cascading events should result and restoration of service following outages should happen more quickly. Authority for ensuring that certain investments are made (backstop for reliability planning) has service to load reliability benefits.

  Mechanisms to utilize redispatch to relieve transmission overload conditions may have a reliability benefit over the current practice of schedule curtailment.

- **Implementation Costs –**
The Implementation Team estimates the annual costs of a regional RTO, assuming 501(c)3 tax-exempt status, to be about $63 million, which includes $13 million for amortization of start-up costs of the $82 million initial cost, if the levelized cost of capital is 15 percent. These costs include computer systems, communications, support contracts, facilities, and staffing at a level of 277. If the start-up costs exceed this initial estimate by 100 percent, the annual cost of implementing RTO West would increase to $76 million. Reserves for capital or operating contingencies could raise the revenue requirement of RTO West to a total of $89 million. (See table on page 8.)

Implementation Costs
(Millions of U.S. Dollars per Year)

Item	Initial	O&M	O&M Amort. X 2
Computer/Comm.	$51	$ 7	$ 7
Facilities (brownfield)	$ 5	$ 2	$ 2
Staffing (277)	$20	$38	$38
Support contracts	$ 6	$ 5	$ 5
Cost of capital		$13	$26
Total	**$82**	**$63**	**$76**

Total Quantified Benefits and Costs --
The total benefit/costs, quantified at this time, of forming RTO West, which includes the costs and benefits to loads, generators, regulating reserves and implementation costs is shown in the table below.

Total Quantified Benefits and Costs
(Millions of U.S. Dollars per Year)

	RTO Overall	ETOs
Net Benefits/Costs to Loads	$TBD *	$TBD *
Regulating reserves savings	$28	$28
Reliability Benefits	$33-$328	$33–$328
RTO annual costs	($63--76)	($63-76)

* Net Benefits/Costs to Loads to be determined by AURORA analysis.

Qualitative benefits and costs --
This report also identifies a number of benefits and costs that the Team was not able to quantify. Among those are:

- An RTO would facilitate more appropriate market signals to encourage optimum economic use of scarce transmission capacity, increase trading, improve congestion management and guide regional investments in generation and transmission.

- Savings and efficiencies will be realized from consolidating control areas, through shopping at one OASIS for reservations and purchases of RTO transmission services, as well as from the existence of a single tariff and a

single set of uniform business practices. In addition, capital costs will be avoided by consolidating the transmission scheduling and control systems. The cost of some lower voltage facilities may be collected through separate Executing Transmission Owner (ETO) Federal Energy Regulatory Commission (FERC) tariffs.

- Benefits will result from changes in the way the RTO will manage transmission congestion in real time. Operationally, relieving transmission overloads by redispatch as opposed to schedule curtailment (as is currently done) will provide improved grid reliability and cause less market disruption in real time. The costs for this management have been estimated in the Implementation Team's RTO West annual cost.

- Both FERC and the U.S. Department of Energy identified benefits of new products being developed as a result of a functioning market. DOE, in a May 25, 1999 document, said: "...(I)ncreased competition will call forth a wide range of innovative products and services that will add value and better meet customer needs." Most of these products are generation supply products attributable to deregulation, but there likely will be some transmission products emerging from the RTO and the RTO may foster new supply.

- The central planning and siting benefits of RTO West should result from a single utility perspective to identify least cost solutions without regard to ETO system boundaries and are expected to raise productivity through more efficient uses of staffing resources.

- Reliability of the transmission system will improve through clear planning authority and greater visibility of the grid -- that is if the Northwest is able to avoid the errors that have occurred in California. Care will need to be exercised in the startup through full operation, as in any new organization, to avoid transitional decreases in reliability.

- Additional costs may be incurred to retain a scheduling coordinator for all transactions.

- There will be one additional FERC proceeding for customers to follow related to approval of the RTO tariff.

- The valuation of existing transmission assets placed into operational control of the RTO and capital charges associated with those assets may change as a result of organizational changes due to the formation of the RTO.

Quantification of these costs and benefits would change the result in the Cost/Benefit table displayed above.

Comparing previous studies

Previous estimates of the cost and benefits of an RTO and/or deregulation have been compiled by FERC, U.S. DOE and by the Independent Grid Operator (IndeGO) study Team. While these reports provided value to the workgroup in comparing methodology and, to a certain degree, the results, RTO West benefits and cost estimates have been developed relatively independently. That is due to the unique geographic scope and policy decisions parties to RTO West have agreed upon.

Almost all of the estimated benefits evaluated by FERC in support of Order 2000 are based on more competition and entry of new generation suppliers into the market place. By 2010, national generation costs fall by 5 percent, which FERC equates roughly to a value of $2.4 billion.

A DOE study of the Comprehensive Electricity Competition Act estimated benefits from deregulation, including retail access as envisioned by the Act, could be as much $20 -- $32 billion in national annual cost savings. Cost savings in the Northwest Power Pool area, which is approximately one-half of RTO West, was estimated at $42 million annually.[1]

A third study was completed by the IndeGO study Team. That cost/benefit analysis considered a different type of RTO structure and geography than is being considered here. In March 1998, it estimated the costs to be $89 – $164 million in capital costs and $45 million in annual costs. The benefits related to elimination of pancakes and generation capacity expansion benefits were estimated to be approximately $100 million per year. It did not estimate regulating reserve savings or reliability benefits. The IndeGO geographic scope included greater reach in the Rocky Mountains, but did not include Canadian entities [for more information, see "Estimated benefit from the IndeGO Benefit Analysis"]. This study result was preliminary only and not reviewed to any significant extent in the region.

What this report does and what it does not do

- The report identifies areas in which benefits or costs from forming RTO West might develop.

- For a period of approximately ten years, load-based company rates and FTRs for existing contracts are proposed in an effort to keep cost shifting to a minimum.

- The RTO Benefits and Costs Team used the RTO West design agreed to by the Regional Representatives Group on September 20, 2000 as its basis.

[1] see "Estimated benefit of the Comprehensive Electricity Competition Act".

- The estimated cost of RTO West operations does not include new costs for parties to interact with the RTO and to purchase RTO services. Likewise, the estimated benefits do not include savings as a result of existing functions being transferred from the ETOs to the RTO.

- The people whose ideas contributed to this summary have differing views about the likelihood and magnitude of the potential benefits and costs it describes.

The RTO West Benefits Team was made up of:
Robin MacLaren—PacifiCorp
Kevin O'Meara—Public Power Council
Lon Peters—Public Generating Pool
Vickie VanZandt—BPA Transmission Business Line
Don Matheson—BPA Transmission Business Line
Phil Carver—Oregon Office of Energy
Geoff Carr—Northwest Requirements Utilities
Linc Wolverton—Industrial Customers of Northwest Utilities
Ray Bliven—Direct Service Industries
Coe Hutchison—Snohomish PUD
John Leland—Montana Power Company
Dennis Phillips—BPA Power Business Line
Jim Henry – PacifiCorp

Transmission Planning and Siting Benefits and Costs

Today's world is changing

The main grid was developed by a handful of vertically integrated utilities in a spirit of cooperation and coordination. Transmission planners recognized reliability benefits from being interconnected with a large grid. Utilities were willing to accept relatively minor adverse consequences such as parallel path flows in order to achieve the significant reliability benefits of interconnection. As the electric power industry restructures, the number and composition of market participants are increasing and changing, and the motivation and benefits of being interconnected are changing. In the future, some participants may not have sufficient incentives to accommodate unavoidable adverse consequences, such as parallel path flow.

As the composition and number of market participants changes and increases as a result of deregulation, the spirit of cooperation and coordination that existed among the planners in the regulated world is being replaced by competition and confidentiality. The players no longer share common goals.

Having RTO West responsible for transmission planning for the regional grid should provide a more transparent and effective planning process than the coordinated, yet fragmented, planning process it will replace. Whether the total costs of central transmission planning and siting will increase or decline is hard to forecast and may even be hard to determine after the fact.

How RTO West Will Plan the Main Grid

Main grid planning will be continued in the future under the RTO's planning authority. RTO West will be responsible for planning for the RTO Grid using a non-discriminatory process, with significant input from all users of the system. The details of the process will be developed after the formation of the RTO but is expected to result in single-utility, least cost planning without regard to ETO boundaries.[2]

After alternatives have been developed through the RTO planning process, the ETOs have the primary decision-making authority regarding what facilities will be constructed to ensure the transmission adequacy of the RTO Grid ("keeping the lights on"). In the event that the ETOs fail to maintain such transmission adequacy, the RTO has backstop authority to require construction of necessary facilities. Decisions for expansion of the RTO Grid for economic reasons are left to those bearing the cost of the decision (such as the users who are impacted by congestion clearing charges). The RTO is expected to establish a process that will determine the benefits of replacement, reinforcement, and expansion

[2] For more information regarding the Regional Representatives Group's decision on planning, please see "RTO West, August 25, 2000, RRG Decision Regarding Planning and Expansion."

decisions for reliability and allocate their costs to the ETO whose load has benefited.

RTO West's planning responsibility will include:

- Determining the capability of the RTO Grid.
- Identifying paths that are experiencing congestion and the current/historical specifics (price, duration, etc.).
- Assessing the transmission adequacy of the RTO Grid.
- Developing and enforcing interconnection standards.
- Providing the information developed above to the market.
- Coordinating expansion activities.
- Backstop assurance for investment in reliability if ETOs do not build.

ETOs planning responsibilities will include:

- The RTO West planning staff will analyze new ETO local facilities for impacts on the transfer capability of the RTO Grid and ensure that the project sponsor has appropriately mitigated negative impacts.
- Conversely, if the new ETO local facilities have created transfer capability on the RTO Grid, the ETO will be given any corresponding FTR.

Potential benefits include:

- Single focus - independence from non-transmission interests.
- Consistency in the assessment of capacity, adequacy and security of the regional grid.
- Reduced probability of region-wide outages over current practices.
- Clear authority for main grid planning is intended to ensure integrity of the regional grid over time.
- Provision of a new method to clearly identify paths experiencing congestion (flow paths).
- Development and enforcement of consistent interconnection standards.
- One-stop information source for market participants and project sponsors.
- One utility planning to identify least-cost solutions without regard to ETO system boundaries.
- Increased reliability due to backstop responsibility that assures investments for reliability are made.
- Central authority for distributing transmission costs over RTO-sponsored transmission facilities.

Potential costs include:

- The authority to direct expansion solutions without financial responsibility could lead to overbuilding of transmission assets.
- The risk of an intrusive bureaucracy could result in an over-regulated market.

Coordination of Planned Outages Benefits and Costs

Transmission Outage Coordination:
RTO West will have approval authority over planned maintenance outage scheduling. While the transmission asset owners are responsible for the maintenance and care of the facilities, integrated utilities may tend to schedule facility outages when that timing meets the specific interests of the utility. The RTO will attempt to coordinate outages so needed maintenance can be accomplished when the resulting reduction in transmission capacity will least impact the market as a whole.

Steps have been taken in the Northwest, through the efforts of the 45-day Northwest Power Pool outage coordination process, to limit the impact such outages would have on the marketplace. The RTO will make further improvements in making sure outages are taken when they have the least impact on power markets, rather than the least impact on the individual utility. The proposal includes extending major outage planning to 12 months to provide the best possible information for the annual FTR auction.

Potential benefits include:

- Reduced chances for market manipulation and improvements in competition.
- Greater availability of transmission inventory in periods of high market value for Available Transmission Capacity (ATC). As a result of more transparent information, the RTO should be able to coordinate scheduling outages to minimize impacts on commercial transactions better than utility organizations do today.
- When approved maintenance activities reduce available transmission capacity on a path, the RTO will facilitate coincident scheduling of other ETOs' needed maintenance when minimal or no additional reduction would result.

Potential costs include:

- ETO transmission assets may be stressed beyond their normal operating capability if normal maintenance requests are denied.
- Risk of Class B assets being stressed by virtue of planned outages on Class A facilities being changed.

Congestion Management Benefits and Costs

The Problem

Available Transmission Capacity (ATC) is currently posted by a variety of ETOs. When ATC is sold out, additional requests for capacity are not accepted unless the requesting party agrees to fund interconnection studies and pay for created capacity. They can do this through either tariffed rates for transmission or the costs associated with the upgrade as defined by the FERC 'or' test.

In addition, on transmission paths such as West of Hatwai, no ATC is available, yet this path is fully loaded less than 25 percent of the year. Parties wishing to use these paths may do so on a non-firm basis, but they cannot reliably or quickly buy firm rights to ensure firm energy or capacity sales, given the need for studies and upgrades.

To a limited degree, contract holders re-market unneeded capacity. The current system allows rights holders (transmission owners and their power marketing affiliates and load serving entities) to hold capacity that they may not intend to use until the pre-schedule day, forcing non-rights holders into the short term market. It is noted that eligible customers have the option of making a Section 211 request for firm transmission service.

However, through annual, monthly and daily FTR auctions, all available FTRs are brought to market. A robust secondary market is also facilitated through electronic exchanges and bilateral deals. In addition, FTRs not used in the day-ahead preschedule process are auctioned as Recallable Transmission Rights (RTR).

There is currently no comprehensive congestion management method that includes redispatching resources or loads through an open and fully competitive market to ensure reliability through transmission overload relief. When limits on a path are exceeded due to forced outages or other changes in system conditions (i.e., change in generation or load pattern), the tools currently available for NW system operators, short of load reduction, are generally limited to schedule cuts on commercial paths.

However, schedule curtailments are imprecise, sometimes ineffective (cut schedules can be replaced with other schedules utilizing the same path), often require a larger reduction than is necessary because it is imprecise, and can significantly disrupt energy markets. In addition, curtailments on commercial paths (which may not be overloaded) is one of the few tools available to relieve internal network constraints. There is no broad availability of open-access tariff provisions to recover redispatch costs.

The RTO West proposal for flow-based physical rights on flowpaths more closely aligns the commercial rights and arrangements for transmission with the operation of the system.

This mechanism identifies the transmission constraints that exist on the Northwest transmission network, and gives the RTO tools to precisely manage overloads on flowpaths or within a congestion zone. Tools include buying back FTRs, arranging for redispatch and pro rata curtailment. This method allows a specific set of actions that may solve the problem with greater precision. It can be accomplished more quickly (reliability benefit) and with less disruption to the energy market.

Managing Paths as a whole (even with multiple owners)
Currently, arrangements are made for transmission service separately among the various owners or rights holders of a path. Some owners may elect to sell their capacity differently than others. For example, some may offer all ATC on a firm basis; others part firm or part non-firm. Under some circumstances, when reductions are necessary, non-firm customers of one capacity owner may remain on the path, while firm customers of another capacity owner are cut.

In addition, sometimes transmission constraints are not relieved because of multiple ownership. Some owners may have no interest in relieving a specific path or may gain from its congestion. .As such, they may not wish to invest in solutions.

RTO West will manage the commercial arrangements for transmission paths that have multiple owners (i.e., the Northwest portion of the California-Oregon Intertie), as a whole leading to more consistent business practices.

The RTO Congestion Management Model
Correct economic signals to the market place through congestion pricing could facilitate stronger price signals for dispatch of energy and capacity resources, as well as demand side management. In addition, it could facilitate more appropriate market signals for guiding investment in these areas. Information about generation location that would relieve congestion is not readily available and incentives are not in place to help generators make siting decisions that could help relieve congestion. Transmission users, especially retail loads, are not provided with price information necessary to help relieve congested paths.

RTO West proposes a congestion management approach that will define and identify flowpaths as areas of significant congestion. Flow distribution factors will be used to define incremental power flows over each flowpath. The time over which such calculations will be made is uncertain at this point, as are the economic implications of such calculations. FTRs will be defined by the RTO for each flowpath based on the transfer capability of the flowpath.

FTRs will be made available to eligible customers based on entitlements under pre-existing contracts and load service obligations (LSOs), including load growth. To the extent capacity exists beyond the need to serve pre-existing contracts and LSOs over these flowpaths, that capacity will be made available and auctions held to set the prices for transmission rights over these paths.

Current rights holders will be able sell their FTRs and receive auction revenues, as well as purchase other FTRs for paths over which they do not have FTRs. Parties who do not currently have rights would be able to bid in the auction for the rights they are willing to pay for. The costs of relieving congestion during congested hours would be clearer and parties would be able to decide whether the transactions they seek to make are financially viable.

During non-congested hours transmission capacity should be available at a zero (or close to zero) price plus losses after load-based access charges. Scheduling coordinators will probably be required to perform functions associated with congestion management for individual transmission customers. (For a more detailed description see "RTO WEST: Physical Rights Model for Transmission Access and Congestion Management.")

Under this new model, there are costs, cost shifts and benefits faced by all users of flowpaths.

Potential benefits include:

- Reduced chances for market manipulation and improvements in competition.
- Transmission overload mitigation should occur more quickly and with very little disruption to the market in real time. Redispatch solutions should be more precisely effective than schedule curtailment.
- More options will be available in addition to schedule curtailment. Thus, it is possible that less valued transactions will not replace more highly valued transactions.
- RTO West will manage the commercial arrangements among multiple owners for transmission paths, leading to more consistent business practices.
- Enhanced ability for non-FTR owners to obtain firm transmission rights to move power from the non-firm market to the firm market where it has greater value to customers.
- Allocation of scarce capacity on the basis of economic value so that fewer economic transactions are blocked (both power and transmission), therefore overall system operating costs are lowered

Potential costs include:

- Set-up and repeated implementation of FTR/RTR auctions.
- Possibility for market power to be created by improperly designed FTR auctions.
- Transactions costs of using a schedule coordinator (SC) or performing SC functions in house.

- Costs, including management of uncertainty, of participating in the FTR auction.
- Transaction costs (hardware, software, personnel) of establishing a system to physically track the usage of defined flowpaths.
- The potential costs of facing FTR auction prices at the end of the contract term.
- BPA will provide schedule coordination services at cost to its full requirements and simple partial requirements customers. If "at cost" is interpreted to mean that customers will face market prices for ancillary services, such as load following, then costs to some customers may increase compared to current practice.

Potential cost shifts from one transmission system user to another include:

- Internal congestion that the RTO pays to relieve will be paid through the uplift charge and socialized.
- Recovery of re-dispatch costs from customers.
- If a transmission path is not congested, through wheeling will not pay for operations and maintenance of that facility. Instead, costs of operation and maintenance will be borne entirely by payers of the Company Rate associated with that facility. However, reciprocity is assumed from neighboring RTOs. Through wheeling on their systems for transactions on behalf of RTO West loads will not pay for operations and maintenance of those neighboring facilities.

Costs/concerns that may arise if congestion management mechanisms are not properly constructed:

- Potential for the congestion management mechanism to create market power.
- It is not clear how the RTO is going to solve the generation siting problem in the near term because of the lack of transmission planners.

Ancillary Services Benefits and Costs

Markets will drive the costs and benefits
The benefits and costs of RTO formation in markets for ancillary services depend critically on the nature of those markets once the RTO begins operations. At this point, there is insufficient information available to accurately estimate all benefits and costs. The benefit due to reductions in regulation reserve requirements and the potential benefits in operating reserves were analyzed, while other ancillary services were not.

Given available information, it is premature to conclude that the RTO will either improve or degrade the position of consumers in the area of ancillary and interconnected operations services. Much depends on the incentives facing the RTO, and the resulting decisions in critical areas associated with both the acquisition of ancillary services or interconnected operation services and the ability to self-supply these services.

To judge this, we need to project or describe the delivered prices of ancillary services with and without an RTO in the future. Ideally, this would rely on information regarding the number of buyers and sellers, availability of information, and entry and exit conditions. Practically, much of this information is not available.

Regulation Benefits:
Currently, the 10 control areas operated by the ETOs, plus the British Columbia control area, carry 504 MW for regulation. The RTO West structure, which includes one overall NERC control area encompassing all of the ETOs' pooled transmission facilities and the resources interconnected to them, will result in regulating reserve savings of 364 MW.

Even if individual utilities wish to self-track and provide for their own load following – as some intend to do – regulation benefits will be achieved by taking advantage of the load diversity in the broader geographic scope of the RTO.

This requirement after the RTO forms its overall control area will drop from the current 504 MW to 209 MW, achieving savings entirely attributable to the RTO due to load diversity over a broader geographic area of 295 MW. In addition, employing the recent NERC standards, which allows for a relaxation of regulation requirements, will allow this overall requirement to be reduced an additional 69 MW to 140 MW in total. To achieve the additional savings associated with relaxed control (69 MW), the RTO will need to implement this at start up in its automatic generation control (AGC) system.

The following table includes the specific benefits for relaxation by company and added load diversity of a broader geographic scope distributed by percentage of total load.

AVA (WA)	19 MW	$1.5 million annually
IPC (ID)	22 MW	$1.7 M
MPC (MT)	13 MW	$1.0 M
PACE (UT/WY)	46 MW	$3.5 M
PACW (OR)	29 MW	$2.2 M
PACW (WA)	12 MW	$0.9 M
PGE (OR)	27 MW	$2.1 M
PSE (WA)	31 MW	$2.4 M
SPP (NV)	14 MW	$1.1 M
BCH (BC)	80 MW	$6.1 M
BPA (WA/OR)	71 MW	$5.5 M
Total	**364 MW**	**$28M**

Even the implementation of the new NERC standards were done by all 11 control areas, this would not result in similar savings without the formation of an RTO. Some savings would result (up to 186 MW), but not nearly what could be achieved with the consolidation to one overall control area (364 MW). If all 11 control areas would make the AGC system modifications to employ the new NERC criteria (at approximately eleven times the cost of implementing it once through the RTO), the regulating reserve requirement would drop to 336 MW (as opposed to 140 MW with a single control area). However, even though relaxed control has been approved by NERC for over two years, no control areas have made the system changes necessary to implement it.

Total Regulation Benefit:

- 364 MW reduction in Regulation Reserves Requirement.
- If priced at $6.40 per KW-month, savings = $28 million annually.

Operating Reserves

The potential for savings of operating reserves was analyzed. Northwest Control Area Contingency Reserves allocation is based on the WSCC percentage method. By utilizing a Reserve Sharing Group, the NW Control areas have reduced net reserve capacity by 3,665 MW. Further savings are not anticipated by the proposed RTO West.

Potential benefits include:

- Savings in regulating reserves are expected to be 364 MW and estimated to be valued at approximately $28 million annually. The predicted savings are available when RTO West's control area begins operating. The value of capacity savings was estimated based on $6.40 per kW-month.

- A single Northwest market for AS/IOS facilitated by the RTO may expand the size of that market, increase competition among potential suppliers of ancillary services, improve communications among market participants, and reduce transaction costs.
- Standardization of AS/IOS (as supplier of last resort) definitions across a wider geographical market may enhance competition.
- Separation of AS/IOS technical requirements from ownership of generation may enhance competition.
- If the process by which the RTO acquires AS/IOS is sufficiently competitive, the resulting prices may be lower than otherwise would result.

Potential costs include:

- The RTO's formal approach to establishing a market for AS/IOS may be more expensive to operate than an informal (bilateral) approach because of the lack of incentive to minimize the cost of operating such a market. Regulation by FERC would have to be used instead of competitive forces to keep down the costs of operation. If such regulation is not as effective as competitive forces, the result will be higher costs for consumers than are necessary.
- If the rules for self-supply of ancillary services are unreasonable or cumbersome, the self-supply option may be thwarted, thus reducing the potential for the benefits of competitive supply of such services.
- If the zones established by the RTO for Balancing Energy purchases do not contain a large enough number of potential suppliers, the resulting Balancing Energy costs will not be competitive. If the RTO does not have an interest in minimizing the costs of Balancing Energy because these costs are simply passed through to Scheduling Coordinators, then the result will be more expensive than necessary for end-users. It will not be sufficient to "deem" that competitive markets exist for AS or IOS. It is not clear yet that the RTO has the incentive to maximize competition among potential suppliers of AS/IOS.
- Currently BPA provides generation-related ancillary services to its customers at the cost of power from federal projects. If the rates for provision of these ancillary services move to a market basis due to locational or other considerations, this could impose significant additional costs on BPA's customers.

Power Markets Impacts Benefits and Costs

Focus Group
Audrey Perino—BPA Power Business Line
Dennis Phillips—BPA Power Business Line
Jeff King—Northwest Power Planning Council
Kurt Granat—PacifiCorp
LincWolverton—ICNU
Matt Staneff—Snohomish PUD
Ray Bliven—RCS for DSIs
Don Matheson—BPA Transmission Business Line
Rob Anderson—BPA Power Business Line
Robert Petty—BPA Power Business Line
Warren Winters—EPIS
Lee Barney—EPIS

Not only does RTO West affect transmission rates among the various participants, but elements of its design also affect power markets throughout the West. Cost shifts can occur between utilities, particularly as a result of changes in transfer payments. But, they also can occur between end-user loads and independent power producers (IPPs) and the generation (merchant) function of vertically integrated utilities.

The Benefits/Costs Team chose to model these effects with the AURORA model. The model is discussed more fully below, but, in summary, it calculates spot power prices in areas of the West, after taking into account the operating costs of thousands of generation resources, transmission constraints, and transmission rates and losses. It is one of the primary models used by utilities and other entities looking at prospects for West Coast marginal power prices. The model was used by BPA, for example, in its recent power rate case to project purchase power costs and short-term sales revenues for its 2002 to 2006 rate period, and by the Northwest Power Planning Council in analyzing regional resource adequacy.

The purpose of analyzing power markets through AURORA is threefold. First, AURORA can provide an estimate of the savings due to the different generation dispatch that results from elimination of pancaked transmission charges. Second, it can provide an estimate of the capacity cost savings due to elimination of the same charges. Finally, it can provide an estimate of the power-cost impacts of opening markets throughout the West—impacts both on the load and generation functions of the utilities. It analyzes these impacts simultaneously, so only the combined results are available.

Modeling results to date

The RTO Benefits and Cost Team has expended significant effort in attempting to model the effects that removal of pancaked rates within the RTO region would have on the market prices of electricity within the Western Systems Coordinating Council (WSCC). We have attempted to simulate the pricing decisions made including the company rates and the transmission transfer payments between RTO parties. To date, we have determined that:

- Removal of the friction between the companies' transmission systems tends to lower market pricing in areas of current high prices and tends to raise them in areas of relatively lower prices. This will have differential impacts on loads, integrated utilities and independent power producers.
- Due to more efficient dispatch, there is a modest fuel savings (on the order of $30 million annually) in the WSCC area as a result of implementing the RTO.
- Generators that are currently available for service should be dispatched more efficiently, thereby delaying future generation expansion.

Because of the modifications we have made to the AURORA model, the study results have produced significantly different results for small changes in input assumptions. We cannot, at this time, produce reliable conclusions as a result of this modeling effort.

We believe, however, that the likely shifts in power prices are of sufficient importance to market participants to warrant continued examination.

Detailed description of the AURORA Electric Market Model

AURORA applies economic principles and dispatch simulation techniques to model the relationships of supply, transportation and demand for electric energy. It provides:

- Electric price forecasts for:
  Geographic areas and trading hubs
  Hourly, daily, monthly and annual time periods
  On-peak, off-peak or other defined sets of hours
- Resource value forecasts for:
  All existing generating units
  Future generating unit alternatives
  Demand side resources
  Hourly, daily, monthly and annual time periods
- Resource strategy forecasts (capacity expansion):
  Uses net present value (NPV) of resource value
  Optimal resource strategies for long-term runs
- Portfolio analysis for:
  User defined sets of contracts and resources
  Monthly and annual time periods
- Uncertainty analysis for:

Price, value and defined portfolios
Input sampling of key fundamental drivers
- Transmission usage and congestion.

AURORA uses information about the fundamental economic drivers to make its forecast, which includes:
- Electricity demand by geographic area, annually and monthly, including hourly shapes.
- Supply side resources.
- Heat rates, fuel types, commitment data and other resource information.
- Future resource alternatives are key in long-term optimization runs.
- Demand side resources including an interruptible price curve.
- Fuel prices by fuel type and geographic logic.
- Hydro information for AURORA's hydro optimization logic.
- Transmission costs and constraints.
- For uncertainty analysis, statistical distributions for key input drivers such as demand, fuel prices and hydro conditions.

AURORA simulates the economic dispatch of resources to meet demand requirements. It solves the whole system dispatch simultaneously. AURORA determines the market clearing prices from marginal costs. With market prices, it values all of the resources in the system. These price and value forecasts are provided for each time period being studied. For long-term runs, AURORA has resource optimization logic, which uses the NPV of market value of resources to determine an optimal set of resources to use in the system. Resources with negative market value are retired and new resource alternatives which generate positive market values are added.

AURORA's features also include:
- Hydro optimization logic.
- Long-term optimization logic.
- Uncertainty Analysis.

Modifications made in AURORA to accommodate RTO West analyses

The Benefits/Costs Team modified the AURORA model in order to analyze the impact of the decisions made for RTO West. The following are the principal changes that were made:
- Company areas were defined and substituted for the AURORA market areas in order to facilitate analysis of the company rate proposal by the RRG. These company areas are based on the service territories of the ETOs.
- Transactions charges on generation sales were replaced by company rate transmission charges to loads, added after market prices had been determined.
- "Pancaked" transmission losses defined by existing company transmission tariffs were replaced by area and path losses adjusted to produce the same total losses as are experienced under current transmission tariffs today.

- Although the model allows for user-defined contractual arrangements between suppliers and loads, we did not utilize this feature.
- Reciprocity between neighboring systems was assumed (no charges for through wheeling for service to external loads).

Analysis Methodology

The methodology used to analyze RTO West is straightforward:

1) run the model with a set of conditions based upon current pancaked tariffs;
2) run the model under an approximation of the RTO West structure—that is, load-based company tariffs;
3) calculate the differences in the results in terms of payments by loads in each company, financial returns to generation in each company, and returns to non-company-owned independent power producers.

Reliability Impacts Benefits and Costs

Background – The Problem:

As deregulation continues, changing conditions have emerged that pose a threat to system reliability. The following table reflects some of these:

PREVIOUS CONDITIONS	EMERGING CONDITIONS
• Relatively large resources	• Smaller, more numerous resources
• Long-term, firm contracts	• Contracts shorter in duration • More non-firm transactions, fewer long-term firm transactions
• Bulk power transactions relatively stable and predictable	• Bulk power transactions relatively variable and less predictable
• Assessment of system security is made from this stable base (narrower, more predictable range of potential operating states)	• Assessment of system security made from this variable base (wider, less predictable range of potential operating states)
• Limited and knowledgeable set of utility players	• More players, with divergent interests, with less experience, making more transactions - increasing with retail access
• Hydro system resource flexibility readily dispatched to support the transmission system	• Environmental constraints limiting resource operation in support of the transmission system
• Unused transmission capacity and high security margins	• High transmission utilization and operation closer to security limits
• Limited competition - little incentive for reducing reliability investments	• Utilities less willing to make transmission reliability investments since many do not produce increased revenues
• Market rules and reliability rules developed together	• Market rules changing. Reliability rules are not keeping pace.
	• More system through-put

The RTO structure proposed should be able to preserve or enhance reliability because it is expected to balance the availability of transmission with the need to maintain transmission assets; weigh efficient, low cost service against the need to keep the system stable; can assure needed facilities and reinforcements are built for reliability; and would arrange outages that had the least impact on the market as a whole.

Transition:
It is noted that care would need to be taken in transition to assure system reliability. Risk is associated with a move to a new structure. As an example, California's early reliability performance after startup to the PX and ISO was poor compared to its previous structure.

The Western Interconnection:
Reliability vigilance is particularly critical:

- in regions characterized by long, high capacity lines;
- in systems where transfer capability is defined more by stability limits (voltage or angular) rather than thermal limits;
- and where automatic or operator control actions must be taken very quickly.

The western interconnection has these characteristics and RTO West, as a result, would have challenges that other parts of the US would experience to a lesser degree.

Lack of Recent Transmission Investments:
As evidenced by the absence of major transmission projects undertaken in the West in the past several years, utilities have, for economic and environmental reasons found ways to increase the utilization of their existing facilities to meet increasing demands without adding significant high voltage equipment. This trend will likely continue. Pushing the system harder will undoubtedly increase reliability challenges.

The system in the Northwest has seen a dramatic increase in the use of the transmission system that is attributable to both load growth and through put resulting from competition. The NW transmission system has seen greater than a 30% increase in system utilization over the past 5 years. There is very little margin left in the system, making the preservation of system reliability a harder job than it used to be. It is being operated closer to the edge of security than it was just a few years ago.

The Need for Sufficient Reactive Support:
Voltage collapse (largely the result of insufficient reactive supply) is a significant phenomenon that has been experienced worldwide in only a handful of incidents. Predictions that this problem will continue to grow are added to changes in the regulation and economics of the industry to provide a significant reliability challenge. Voltage collapse can cause cascading outages that can affect large numbers of customers. Ensuring the appropriate amount and location of ancillary products including reactive supply would be the responsibility of the RTO.

Visibility of the RTO West Grid:
RTO West would have real-time "visibility" of the grid. Visibility includes (1) time-synchronized voltage, real and reactive power and phase angle measurements;

and (2) status of grid and resource components--whether they are energized or not.

It would be important to "see" the transmission being scheduled and operated because:

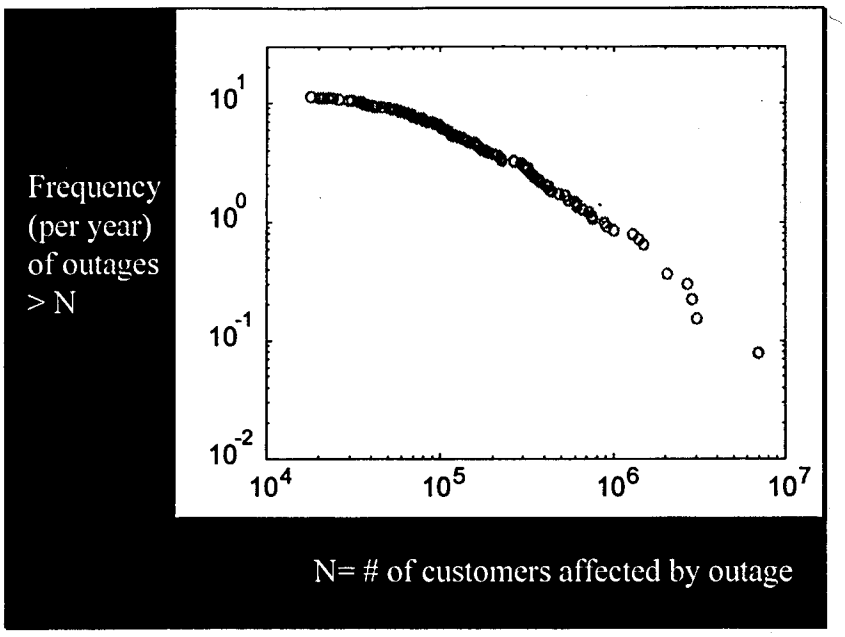
- Real-time and next hour adjustments of a transmission flow-gate's Available Transfer Capacity (ATC) will be based on simultaneous flows on interacting paths, outages, and security assessment--as well as commitments for use of the flow-gate.

- Transmission schedules need to be visible so that resource adjustments can be made in real-time to prevent and quickly mitigate disturbances.

- Mitigation of disturbances (both automatic and manual) is dependent on knowing the real-time status of the transmission system across the broadest possible geographic scope (whole RTO West grid).

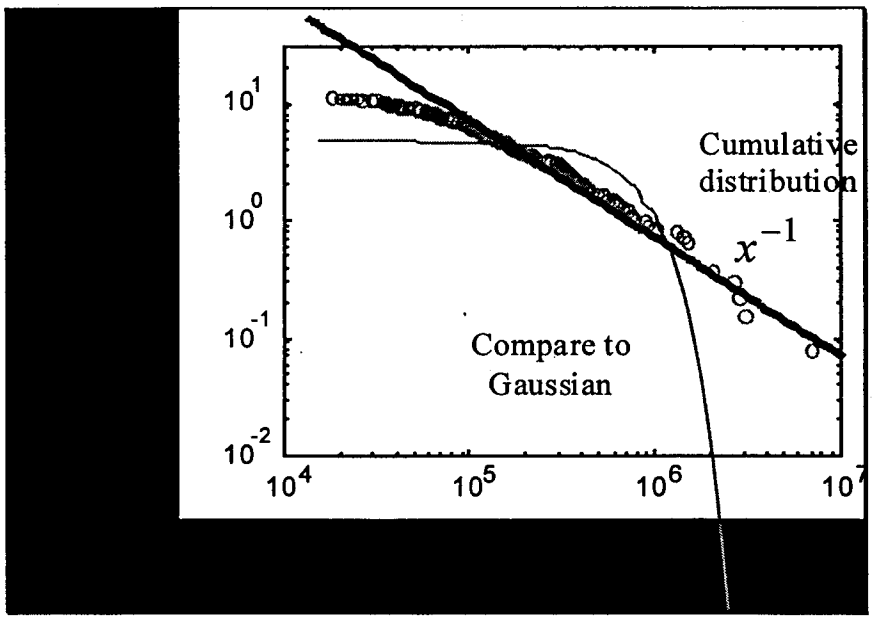
History and Characteristics of Power System Outages:

Outages occur on power systems with short, localized impacts fairly frequently. System-wide disturbances that affect many customers across a broad geographic are rare, but they occur more frequently than a normal distribution of probabilities would predict. North American power system outages between 1984 and 1997 are shown below in Figures 1 and 2 by the number of customers affected and the rate of occurrence (John Doyle, California Institute of Technology, "Complexity and Robustness," 1999). This graph shows a distribution that follows power laws with fat tails – meaning outages affecting very large numbers of customers occur more frequently than a standard bell-shaped curve would indicate. Electric power systems are fairly robust to withstanding one or two contingency events, but fragile with respect to multiple contingency events.



The bubbles represent individual outages in North America between 1984 and 1997

Figure 1



Power Law Distribution versus Normal Distribution

Figure 2

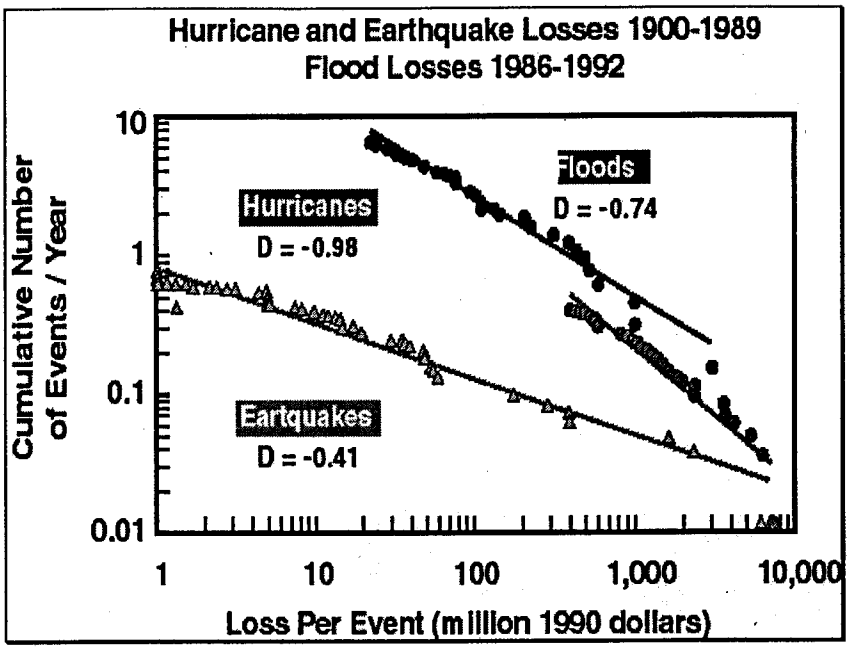


Figure 3

Some Types of Events Exhibiting Power Law Distribution

Figure 1 represents historical outage probabilities for the 13 years prior to 1998. With the lack of margin in the current transmission system, it is more vulnerable to cascading outages than it was in the past. If nothing else were to change, one could expect an increased frequency of large scale or fat tail events – or a flatter power law curve – than this historic one.

Reliability Benefit of the RTO Structure

Considering two alternative futures, one with broad scope RTOs and one without, the RTO structure will be less vulnerable to these large impact events. It is not assumed that the RTO would have significant impact on momentary outages over the no-RTO structure. It should have a positive impact on small scale events because of its backstop authority in making sure reliability investments are made. Its affect on preventing or reducing the duration of cascading or wide-spread outages, however, is expected to be significant because the RTO will:

- Have visibility of the whole grid
- Plan needed enhancements for main grid reliability – including stability controls
- Manage all flow paths in real-time
- Have better tools (redispatch vs schedule curtailments) to manage transmission overloads
- Ensure reliability investments are made
- Approve planned outages
- Manage system restoration following an outage, and have
- Greater accountability to the region for reliability criteria compliance

Historical outages with the largest impacts on customers (fat tail events) include a significant number of cascading events. As described above, RTO West should have a positive impact on preventing cascading outages, and in reducing the duration of outages if they do occur through management of system restoration activities (restoring service following a large, cascading outage generally takes significant time – hours to days).

If prevention of some of these events results in greater time between large scale outages (decreasing frequency), or if restoration is accomplished more quickly following a disturbance (decreasing duration), the costs of load loss would go down.

How Is This Reliability Impact Valued?

Current data on load lost in the RTO West region shows an average annual outage duration of approximately 78 minutes. This average includes momentary as well as extended unplanned outages.

The value of preventing outages or decreasing their duration was determined by the ranges identified in a summary of 16 studies of customer outage costs (Chi-Keung Woo and Roger L. Pupp, "Costs of Service Disruptions to Electricity Consumers," July 30, 1991). Because there is a wide range of values associated with the costs per kwH of unserved energy ($5 to $50 per unserved kwH), we provided the entire range of benefit.

If the NW region were to experience an average duration (78 minute) outage, the total cost to the loads of the RTO West filing utilities would be between $328 million and $3.3 billion using the study range.

It is noted that the customer outage cost data is approximately 10 years old and that commercial and industrial sensitivity to loss of load, in particular, may be changing. We have also assumed no load loss outside the NW region. For large scale outages, that may be a conservative assumption.

Assuming a decrease in frequency and duration of large scale outages as discussed above, if RTO West could prevent one 78 minute outage affecting the RTO West load once every 10 years, the annual value would be between $33 million and $328 million.

Potential Benefits Include:

- RTO West will have greater visibility of the grid it will manage than any of the participating utilities do today. The western interconnection operates as a single electric system. Often events far removed from one system effect another. Consolidation of information about the transmission system elements and interconnected resources should facilitate operating the grid more reliably. Reduction in the frequency of large scale, cascading events should result.

- Restoration of service following outages should happen more quickly.
- Authority for ensuring that certain investments are made (backstop for reliability planning) has service to load reliability benefits.
- Mechanisms to utilize redispatch to relieve transmission overload conditions may have a reliability benefit over current practices of schedule curtailment. When limits on a path are exceeded due to forced outages or other changes in system conditions (i.e., change in generation or load pattern), the tools currently available for NW system operators, short of load reduction, are generally limited to schedule cuts on commercial paths. However, schedule curtailments are imprecise, sometimes ineffective (cut schedules can be replaced with other schedules utilizing the same path), often require a larger reduction than is necessary because it is imprecise, and take more time to relieve the overload than redispatching generation from a market bid stack.

Reliability Benefits Range: $ 33 M - $ 328 M annually

Potential Costs Include:

- Costs to implement these benefits have been estimated in the Implementation Team's RTO West annual cost. Relevant features of RTO West implementation includes a single, grid-wide control area, main grid planning authority – including determination of grid-wide automatic stability control systems (remedial action schemes), planned outage approval, system restoration coordination responsibility, and backstop authority for ensuring reliability investments are made.

PETER A. DEFAZIO
4TH DISTRICT, OREGON

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☐ Peter.DeFazio@mail.house.gov

September 26, 2000

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Judi Johansen
Administrator
Bonneville Power Administration
905 N.E. 11th Avenue
PO Box 3621
Portland, OR 97208

Dear Administrator Johansen, Judi

In February I joined other Northwest lawmakers in urging you to develop a Northwest position on the formation of a Regional Transmission Organization (RTO). At that time, I clearly stated that the RTO should "promote competitive power markets in manner that benefits the wide range of the region's electricity consumers." I have growing concerns that test might not be met by current RTO proposal.

If you recall, at a Bonneville congressional briefing on the proposed RTO, I raised questions regarding the goals and objectives of the proposal. Given the pending Federal Energy Regulatory Commission (FERC) filing, I would appreciate you addressing some outstanding questions I have concerning the RTO proposal.

My primary question centers on the net cost savings of the RTO proposal to users of the BPA transmission system, both by customer class and location. Before submitting your proposal to FERC, I would like to see a bottom-line evaluation of the cost savings to Bonneville customers. If initial estimates suggest that RTO participation will impose a net cost on BPA customers, then I trust you will work diligently to make those changes necessary to reshape the RTO in a manner that better serves consumers of the Northwest.

Secondly, I continue to have concerns regarding the vulnerability BPA and the RTO will have to the volatile California energy market. I would appreciate information regarding the volume of BPA power sales to and purchases from California and whether these transactions produce a net revenue or cost to the system. In addition, I would appreciate

ASSIGN: KR-7C
cc: A3, K-7, KN/Wash, T/Ditt2, P-6

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information on the correlation of wholesale power prices in the Northwest and California and an analysis of the impact that RTO formation will have on Northwest power prices (e.g., will it encourage further power exports to higher-price markets which could tighten supply and drive up costs in the Northwest).

As you know, I was one of the few Members of Congress who opposed the Energy Policy Act, which started the process that led to deregulation in Oregon, California and other areas. I remain skeptical of proposals which rely on the "free market" to develop adequate, low-cost, efficient energy to customers of the Pacific Northwest.

Thank you, in advance, for your immediate attention to this matter.

Sincerely,

PETER DeFAZIO
Member of Congress

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

NOV 22 2000

In reply refer to: KR-7C

Mr. Alfred H. Canada
336 Eric Way
Grants Pass, OR 97526

Dear Mr. Canada:

Representative Peter DeFazio has asked me to give you some feedback on your idea for Solar Voltaic Generation, which you sent in a letter to him of September 20, 2000.

Unfortunately, Bonneville Power Administration (BPA) does not have the resources to do a technical evaluation of your idea. Our research and development budget and staff are very limited, and what we have is primarily dedicated to wind and solar monitoring. BPA does pursue development of renewable resources such as the Ashland solar project that you mention. That particular project benefited from significant co-funding from sources that included the City of Ashland, the State of Oregon, the Bonneville Environmental Foundation, and Avista Energy, among others.

I am not clear from your letter to Representative DeFazio whether you want BPA to help fund your idea. However, BPA is not currently developing new renewable resources. Our general approach to supporting renewable energy development is to buy the output of qualifying resources. In order for us to consider such purchases, a renewable resource generally comes to us as a joint proposal that includes participation of a land or facility owner, an equipment manufacturer and supplier, and funding partners—particularly public utilities. Since your proposal involves large scale benefits to the solar industry, it would seem that partnership with a photovoltaics manufacturer would be a critical element of any proposal that BPA would consider for funding.

Thank you for your continued dedication to renewable resource technologies.

Sincerely,

for Stephen J. Wright
Acting Administrator and
Chief Executive Officer

cc:
The Honorable Peter DeFazio
U.S. House of Representatives
Washington, DC 20515

PETER A. DEFAZIO
4TH DISTRICT, OREGON

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Congress of the United States

House of Representatives

November 2, 2000

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DUE DATE: 11-20-00

Judi Johansen
Administrator
Bonneville Power Administration
905 N.E. 11th Avenue
PO Box 3621
Portland, OR 97208

Dear Administrator Johansen,

Enclosed, for your review, is a proposal for a photo voltaic generation plant from my constituent, Alfred Canada of Grants Pass, Oregon. I would greatly appreciate if you could provide Mr. Canada some feedback on his proposal for a renewable energy source.

Thank you, in advance, for your attention to this matter.

Sincerely,

PETER DeFAZIO
Member of Congress

PAD/afj

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cc: cc: A-7, D-7, K-7, KN/Wash, PN-1

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September 20, 2000

RECEIVED
SEP 27 2000
Peter DeFazio, M.C.
Washington, D.C.

The Honorable Peter DeFazio
Congressional Renewable Energy Caucus
U.S. House of Representatives
Washington DC 20515-3704

Re: Near-Term SOLAR VOLTAIC GENERATION

Dear Congressman DeFazio:

In the Region's current energy and electric-prices crisis, please consider strategic Solar Voltaic Generation. Its *Energy Decency* benefits are apparent. Neither, geothermal, wind-power not the Northwest Power Planning Council's *"Conservation Power Plant"* can sensibly compete in near-term strategic quantities nor in price per kilowatt-hour at the home, the farm or the industrial meter. Moreover, just at this time a powerful signal can be sent to OPEC and new pipe-line diggers showing a competitive independence from price and supply extortion. Perhaps even kilowatt-hours as a farm commodity; consider the impacts of *Crops & Kilowatts* on regional on food, fiber and feed supplies and husbandry in scarce irrigation and insecticide application; including zero-fuel-cost solar-fuel making reverse-osmosis from sea-water economical for water supply. Far from being simply neutral in the environment, vast Solar Voltaic Power Plants can sequester global-warming carbon-dioxide. Then consider the national and international impacts of such cornucopia machines for the world.

The enclosed handout for the recent *Electric Revolution II* and the BPA crises meeting, --- the later looking for robust cost adjustments to encourage supply, to assure meeting Treasury payments and to maintain surety of the WHOOPS bonds ---, does show the high chances-of-success, technical and low-cost viability. Recently, the NW Power Planning Council has finally recognized and sponsored an inconsequential solar photovoltaic roof-top supply in Ashland and encouraged public and BPA subsidy of Pacific/Scottish Power wind-power, projecting over ten cents per kilowatt-hour at the customer's meter. These, after nineteen years of overt and covert suppression of solar voltaic power in the Council's power planning and in resources they will consider our Federal Columbia River Power System.

Respectfully yours for Hydro/Solar Electric Energy Decency,

Alfred H. Canada

S
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COMMUNICATING IN THE PUBLIC INTEREST

DISTRIBUTED CENTRAL-STATION CUSTOMER PLANTS CORPORATED INTO A BONNEVILLE POWER ASSOCIATION

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CANADASVG@SOLARVOLTAICPWR.COM

For the .... ELECTRIC *REVOLUTION II* *August 2-4, 2000*

Sponsors Bonneville Power Administration, Congressional Renewable Energy Caucus, DOE/Seattle

(Revised for 8/12/00, BPA "ALTERNATIVES" in the Treasury, Costs and 1400 aMW Short-Falls Crisis)

* *

"Seattle City Light Seeks Up to 100 aMW of Renewable Resources"

7/10/00 RFP

1000 MEGAWATT SOLAR VOLTAIC POWER PLANT

CROPS & KILOWATTS AT WHIDBEY ISLAND

INTEGRATED INTO A BONNEVILLE POWER ASSOCIATION, Inc.

1053 MW-*installed nameplate capacity (often called "peak power")*
1000 MW-*gross maximum capacity (after plant losses)*
980 MW-*gross dependable capacity (non-STP operating losses)*
IEEE 762 Standard Terminology

5,265,000 Solar Voltaic Unit Generators - *1 m x 2 m, at 10% Eff. 0.20 kW-inc*
Independent Power Producer, Manufacturer, Civic, PUD or "Foundation" Owned; Target Priced $300/kilowatt, Selling Power to a BP Association at an *IEEE/BPA Standard Power/SCADA* Plug-In at 1.5¢/kWh

Fixed-Tilt Array Occupying 5200 Acres of Tilled-Land: 1.5 m Wide Plant-Structure, 2.5 m spacing,(*i.e.*, 4m x 5m/kW), Powered rail-car access, Automated Agronomy *Food, Fiber* or *Feed* Crops, Power-Apparatus Financed by a BP ASSOCIATION from of the *"Conservation Power Plant"* Funding, "$1.738 Billion since 1981" Constructed, Operated, Crop-Leases By Customer/Associate's *Line-Service & Distribution Dept.* $160/kW

Electricity Annual Yield At ....

Whidbey Island	1392.0 kWh/m²	15.9% f-dcf	155.82 aMW
Yakima	1703.9	19.4%	190.12
Pocatello	2037.8	23.3%	228.34
Daggett (at Solar II)	2358.1	26.9%	263.20

↑ *Fuel-Determined Capacity Factor*

(W.E.C.S. may be added along the 480 Hz bus for more kWh yield and crop-frost-fanning)

Crop Yield .....

From 3250 Acres of Electric-Powered, Tween-Row Intensive-Agronomy, Computer-Controlled Planting, Irrigating, Fertilizing and Harvesting --- ---- *and Depending on the Crops* SEQUESTERING CO_2

Return The Reddey Kilowatt Days Of Penny Power And Clean-electric Home Heating In Our Pacific Northwest

---

Strategic Solar Voltaic Power ENERGY DECENCY ----------------

ABUNDANT AFFORDABLE AMICABLE IN THE ENVIRONMENT ATTAINABLE NEAR-TERM

12,684 aMW of PV by 2000 --+ . . . .

A 1980 DOE report and "pact" for Congressional funding, sets out *Status* and *National Goal*, *National Photovoltaics Program : Electric Power from Solar Cells, U.S. Department of Energy, September 1980.* (*Ask Dulcy Mahar <damahar@bpa.gov > for a Copy*) --------

NATIONAL GOAL : Replace ONE QUAD PER YEAR of PRIMARY FUELS With Photovoltaics by Year 2000
Photovoltaic Modules and Energy Prices Goal by 1990 For Utility Application - -
Modules Prices $100 - $400 / peak kilowatt;
System Prices $1100 - $1800 / peak kilowatt;
Energy Prices 4.2 - 8.1¢ / kWh
(e.g., Balance of Plant, $1100-1800 less $100-400)

Consider that One Quad is 10^{15} Btus (one and fifteen zeros), about 174 million barrels of oil per year or 476,710 barrels a day; One Quad sending a message to OPEC where our Energy Department groveled for an increase of 500,000 barrels per day. One Quad burned in oil-fired plants operating at typical 9000 Btus/kWh heat-rate is about 12,684 aMW; over half of our Region's firm-energy production. Some 100 aMW for Seattle City Light is a small beginning, about 10% of annual consumption; albeit, sufficient to bring about mass-production module prices and a model for other Bonneville Customer/Associates and for the Nation to go onto displace a few Quads of primary fuel; enough to impress the Saudis and ensure *blue-skies* and *green-power* for our Region. The 100 MW, 20 aMW Solar Voltaic, Wind Power and Agronomy Plant and Demonstration project proposed in 1995 for City of Ashland Electric would have produced all of their then annual consumption with BPA as storage/buffer-- but was pre-empted by the *Council's Bonneville Environmental Foundation* to substitute their 30 kW or about six roof-top-equivalent in the *"Million Rooftops Program"*.

Mass-Produced Modules Value-Analysis . . .

The initial provisioning of a 1000 Megawatt flat-plate solar photovoltaic power plant with solar voltaic unit generator modules is sufficient market-pull to enable module prices within the *Goal* of $150 to $300 per kilowatt of *installed nameplate capacity*. For example, 5 watts-*inc* of capacity can be manufactured in thin-film coating into a glass or ceramic-glass tube, one meter long by 1/20th of a meter diameter; about the size of a four foot fluorescent lamp and produceable at four per second on a *sand-to-lamps-machine* ad aptation at about the same - 99¢ retail lamp price at *True-Value*. That is a cost of less than twenty cents per watt or $200/kW to which add in-module inverter and SCADA and a *one-legged-card-table* like frame. At four 5 W PV-Tubes per second, a single machine, similar to those at GE's fluorescent lamp factory, could produce 630 Megawatts of modules in a year --- and go on producing continually improved efficiency modules for more and more SVP Plants and replacement /or capacity upgrades in extant SVP Plants - and Quads of oil displacement.

A kilowatt of installed name plate capacity ***Solar Voltaic Unit Generator Module*** in a 20% availability factor (f-dcf) location, produces 1 x 0.2 x 8760 hours = 1752 kWh/year. At a $300/kW manufacturing cost investment in the module, the modules owner can afford to sell power from the modules to a *BP Association* for a penny and a half per kilowatt-hour for a gross-annual-return of about 8.7% - and should additionally qualify for the 1.5¢/kWh direct subsidy in the *Comprehensive Energy Policy Act -PL102-486*, 10/24/92.

Pricing and Financing the B-O-P . . . .

The generic balance-of-plant --- *plant structure, power-apparatus, land, erecting and operating*--- by the local utility service yard shows less than $160/installed kilowatt of 10% SUVGs. The *Northwest Public Power Association* and *American Publcic Power Association* might sponsor and design a regional standard b-o-p with a standard Power/SCADA interface, improved cost and design and systematically follow Seattle City Light into incremental installations of Solar Voltaic Power Plants, *Crops & Kilowatts*, at sites distributed across or Region. At $160/kW, restuctured to a *Bonneville Power Association, Inc.* could finance a 1,053,000 kW City Light b-o-p, $168 Million, for buying 155 aMW of new energy a year (135 Billion kWh) from SVP Module owners at 1.5¢/kWh --- plus crops, on Whidbey Island.

The $168 Million can come from the Planning Council's non-energy producing "Conservation Power Plant": that is shown in *BPA 1998 Fast Facts* at $1.738 Billion expense since 1981 for a "cumulative total" of 690 aMW; $2.5 Million per aMW, 28¢ per kWh saved, averaging only about 36 aMW saved each year! The *Power Planning Council's* "Conservation Power Plant" expenditures cry for a forensic-audit by the GAO.

S.V.P. Reliability and RTO Impacts . . .

- Firming the non-firm hydro, pumping-storage around the dams, pumping-storage to heights along the Canyon of the Columbia, electrolysis to H_2 fuel-cell hydrocarbons, reverse-osmosis potable water and load management present FCRPS opportunities to store solar voltaic generation against diurnal and seasonal demand variations.
- Dispersed at Customer / Associate sites, solar electric trends to unload transmission at times of thermal-line-droop limitations.
- 5000 MW of Distributed Solar Voltaic Power Plants can provide the " 7.5% of BPA system of Electricity (1000 aMW) to be generated from Renewable Sources other than hydroelectric facilities by year 2010 "; as called for in *DOE's Renewable Portfolio Standard* and the pending *Comprehensive Competition and Electric Utility Restructuring* Bills before the Congress.
- 8700 MW of distributed Solar Voltaic Power Plant can provide the 1741 aMW *for-the-fish* elimination of the four lower Snake River dams sponsored by *the Council/Foundation* . Tail-water to reservoir pumping with zero-cost sunshine can enhance fish-ladder flows.
- 12,160 MW of distributed Solar Voltaic Power can provide the 2431 aMW to shade BPA's operating margin from present 43-51% annual capacity factor to the better RELIABILITY,of the traditionally lower than 30% annual capacity factor.
- 7,000 MW of distributed Solar Voltaic Power Plant can provide, **"It now appears that the firm load placed on BPA may be 1400 aMW higher than anticipated in the *Rate-Case*."**
- Council / *Foundation* piddling resources offers per year:-

Fourmile Hill Geothermal	49 aMW
Wind Energy Conversion Systems	14.5 aMW*
Solar-Ashland	0.006 aMW**
Newly Identified "Conservation 1550 aMW	35 aMW
N-Gas Fired CCCTs (6800 aMW in 8-10 Yrs.)	9.5 Million Tons CO_2
"Conservation Power Plant" 724 aMW over 19 Yrs.	40 aMW

* Scottish/Pacific Power direct BPA & Customer Subsidy of 4.75¢/kWh +5.81¢ rate.

** City of Ashland $100,000 from BPA to build 30 kW-inc roof-top PV

- Solar Voltaic Power, as shown at 129,529 kW-*inc* per square mile, would require only a 121 miles by 121 miles patch of Eastern OR/WA/ID/MT provide the entire 3.3 Trillion kWh consumed annually in the entire Nation.

ENERGY in aMW FROM a 1053 MW-*inc* SVG Plant LOCATIONS

⌘ SITE DATA CONFIRMED WITH BPA/UNIVERSITY OF OREGON MEASUREMENTS, STANDARD-DEVIATIONS IN THE ORDER OF SITES. 0.058, 0.068, 0.110, 0.051. Also Sacramento Municipal Utility District PV-1 actual x 1000 for 1991.

LOCATION	ARRAY TILT	ANNUAL INSOLATION	FUEL-DEPENDENT CAPACITY FACTOR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	ANNUAL
BOISE, ID	35.°	1985.5 kWh/m²	22.7%	8.35	12.61	17.10	20.82	23.58	24.54	27.13	25.49	23.85	18.54	11.72	8.38	222.46
LEWISTON, ID	45 °	1568.0 kWh/m²	17.9%	5.95	9.22	13.30	15.86	18.20	19.06	23.21	22.05	20.01	14.49	7.99	5.68	175.42
POCATELLO, ID	35 °	2037.8 kWh/m²	23.3%	9.41	13.19	17.96	20.65	23.52	24.61	26.86	25.87	24.16	19.60	12.95	9.17	228.34
BILLINGS, MT	35 °	1799.5 kWh/m²	20.5%	9.03	11.68	15.72	17.35	19.97	21.94	25.03	23.70	20.17	16.26	10.93	8.73	200.9
ASTORIA, OR	35 °	1300.0 kWh/m²	14.8%	5.83	7.67	10.93	14.12	16.70	16.36	18.19	17.07	15.64	10.96	6.79	4.51	145.04
⌘ BURNS, OR	35 °	1835.5 kWh/m²	20.9%	8.45	11.71	15.24	18.57	21.14	22.64	25.39	23.96	21.89	16.53	10.83	8.18	204.82
MEDFORD, OR	30 °	1729.4 kWh/m²	19.7 %	6.11	10.29	14.19	18.50	21.26	23.09	25.94	24.38	20.85	14.57	8.15	5.33	193.06
⌘ NORTH BEND, OR	30 °	1581.4 kWh/m²	18.0 %	6.99	9.91	13.27	17.03	19.51	20.32	22.15	20.42	17.85	13.20	8.85	6.58	176.4
PENDELTON, OR	35 °	1649.0 kWh/m²	18.8 %	5.67	8.90	13.53	17.09	20.08	21.81	25.15	23.35	20.66	14.61	7.88	5.27	184.24
⌘ PORTLAND, OR	30 °	1381.9 kWh/m²	15.8 %	5.38	7.63	11.28	14.89	17.69	18.34	21.78	19.43	15.95	10.73	6.41	4.94	154.84
⌘ REDMOND, OR	35 °	1837.7 kWh/m²	21.0 %	8.69	11.58	15.46	19.18	21.60	22.89	25.48	24.01	21.59	15.97	10.59	8.31	205.8
SALEM, OR	30 °	1461.3 kWh/m²	16.7 %	5.76	8.14	11.92	15.50	18.43	19.04	22.82	20.57	17.51	11.41	6.74	5.25	153.66
OLYMPIA, WA	30 °	1296.5 kWh/m²	14.8 %	4.66	6.91	10.65	14.36	17.42	17.59	20.55	18.00	15.28	9.42	5.61	4.25	145.04
SEA-TAC, WA	30 °	1365.8 kWh/m²	15.6 %	4.60	6.84	10.79	14.88	18.38	18.79	24.34	18.96	15.22	9.91	5.65	4.09	152.88
SPOKANE, WA	35 °	1629.3 kWh/m²	18.6 %	5.34	9.15	13.85	17.29	20.31	21.27	25.15	23.11	20.18	13.95	7.49	4.80	182.28
WHIDBEY ISLAND, WA	35 °	1392.0 kWh/m²	15.9 %	5.55	7.86	12.05	15.53	18.66	18.62	21.08	18.69	16.04	10.38	6.64	4.39	155.82
YAKIMA, WA	35 °	1703.9 kWh/m²	19.4 %	6.31	10.04	14.86	18.39	21.08	21.92	24.88	23.25	20.60	14.56	8.28	5.57	190.12
DAGGETT, CA	30 °	2358.1 kWh/m²	26.9 %	15.02	17.72	21.86	24.82	25.88	26.66	25.95	26.11	25.13	21.76	17.61	14.83	263.62
SACRAMENTO, CA	30 °	2097.2 kWh/m²	23.9 %	9.13	12.98	11.32	22.34	24.96	26.63	27.59	26.74	24.69	19.48	12.81	8.89	234.7
⌘ SMUD PV-1 1991-Actual, 1.175 MW-inc x 1000	0° E-W Tracking		(19.4% GACF)	7.62	7.07	7.08	22.05	22.54	24.53	30.32	27.81	27.81	10.40	6.96	6.02	194.0
BPA NON-FIRM HYDROPOWER ENERGY AVAILABILITY, 50% PROBABILITY				4200	5750	7400	6000	8750	8300	8100	2300	0	..	300	1250	1750

Solar Voltaic Power can preserve the BPA Promise; F.D.R., Portland 1932 . . . "THERE WILL EXIST FOREVER A NATIONAL YARDSTICK TO PREVENT EXTORTION AGAINST THE PUBLIC AND TO ENCOURAGE THE WIDER USE OF THAT SERVANT OF THE AMERICAN PEOPLE ---ELECTRIC POWER."

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Official File Copy

EXECUTIVE OFFICE

DEC 0 7 2000

In reply refer to: KR-7C

The Honorable Slade Gorton
United States Senate
Washington, DC 20510

Dear Senator Gorton:

Thank you for your letter of October 26 expressing support for the project that McCook Metals is pursuing with the Longview aluminum smelter. You urge Bonneville Power Administration (BPA) to find ways to support and implement it without impacting Northwest ratepayers.

As you know, McCook wants to modernize the Longview smelter and keep it operating competitively in the world market. BPA and McCook are discussing a conceptual approach for a power exchange that could help McCook secure financial backing to purchase the Longview smelter from Alcoa. This approach is intended to provide McCook with a stable power supply for part of the plant's load for a 10-year period.

McCook is proposing to develop its own combustion turbine (CT) to serve the smelter. BPA and McCook are discussing a concept in which McCook would offer BPA the output from the CT in the 2004-2006 timeframe in exchange for the equivalent amount of power in later years. We believe this approach could potentially benefit the Northwest by helping preserve jobs for some of the region's aluminum workers. At the same time, it could result in a larger supply of power being delivered to BPA in the 2004-2006 period, when the region will likely still be energy deficit.

This approach would lead to ending BPA power sales to Longview, freeing up 280 megawatts of cost-based Federal power for use by other Northwest energy consumers. If successful, this could introduce a new paradigm to the region, which would eventually move direct service industry (DSI) loads off the Federal system.

BPA is interested in exploring creative solutions with the DSIs that would help preserve jobs for Northwest aluminum workers without increasing costs to other BPA customers. BPA and McCook, along with BPA's customers and constituents, will continue to explore the proposal in

the context of the findings of the Northwest aluminum industry study, as well as BPA's overall strategy for augmenting its power supply.

BPA is committed to keeping the region informed about these discussions. We will share information with you, as it develops, through our Washington, DC office.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 2000-0482
RECEIPT DATE:
10-27-00
DUE DATE:
11-13-00

United States Senate

WASHINGTON, DC 20510

October 26, 2000

Judi Johansen, Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

ASSIGN: KR-7C
cc: A-7, D-7, K-7, KN/Wash, P-6, PT-5

Dear Administrator Johansen:

Recent price spikes in the West Coast electricity market have had devastating impacts on electricity-dependent sectors of the Northwest economy. This is especially the case for any entity that is exposed to the wholesale market. There are a variety of causes, but the flawed structure of the California market has been a significant contributor to this condition.

As you know, the aluminum industry has been particularly hard-hit by these higher costs. Hundreds of workers have lost jobs, and the uncertainty is threatening thousands more.

Recently, a company has announced its intent to purchase the aluminum smelter in Longview, Washington, a facility that employs over 900 people. This company--McCook Metals of Illinois--is a large aluminum producer and supplies key products to NASA and the Department of Defense.

The company proposes a novel approach toward its participation in the Northwest economy. McCook Metals is interested in developing its own generating resources and becoming independent of BPA after 2011. However, in order to accomplish this goal, McCook will need some creative help from Bonneville in the near term.

This proposal seems to have three distinct advantages. First, it helps assure the continued employment of the workers at the Longview smelter. Secondly, it could add a significant amount of electricity to the regional grid at a time when the Northwest power system is in deficit. And third, it would phase out a significant amount of load from BPA, when the power it markets is increasingly in demand from other entities with statutory preference.

We specifically want to avoid micro-managing BPA. However, if the proposal meets the advantages outlined above without impacting Northwest ratepayers, we urge you to support it and work to implement it.

Sincerely,

SLADE GORTON

PATTY MURRAY

GORDON SMITH

RON WYDEN

cc:
Bart
Pat
Cindy

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Official File Copy

EXECUTIVE OFFICE

JAN 0 9 2001

In reply refer to: KR-7

The Honorable Ron Wyden
United States Senate
Washington, DC 20510

Dear Senator Wyden:

Thank you for your letter of December 7, 2000, expressing your interest in Bonneville Power Administration's (BPA) plans for constructing a fiber optic link between McNary and LaGrande.

As you know, BPA reported to Congress on its fiber-optic construction program in its May 24, 2000, report "Power Marketing Administrations' Fiber-Optics Executive Summary Report to Congress." In the report, we described how fiber-optic cable provides the communications technology BPA needs for reliability and control of the system, particularly as analog microwave systems grow obsolete. As you recall, the report was written as a result of efforts by members of the House Appropriations Committee to substantially downsize BPA's fiber-optics program. We committed to Congress that we would install fiber only on routes where we had a long-term operational need.

The McNary to La Grande route does not present such a need at this time. That route is equipped with a comparatively up-to-date radio system and may not need upgrading for another 10 years. Our plan does call for several other fiber installations in your state. We just completed a build from our Keeler Substation in Portland down to Tillamook. We also plan a short build later this year from our Carlton Substation down to McMinnville. In FY 2003, we plan to string fiber between Pearl Substation (near Oregon City) to Troutdale and in FY 2004, we plan to build from Alvey Substation (Eugene) to Marion Substation (near Stayton) to Pearl Substation.

BPA shares your interest in helping rural communities access the information superhighway, as well as providing public benefits in Northwest communities as a whole through use of temporarily excess fiber capacity. Our policy is to reserve a minimum of four fibers in our fiber installations for public purposes. Just last month, Northwest Open Access Network (NoaNet) lit fiber for public benefits purposes on BPA's system from The Dalles to McNary. NoaNet is a nonprofit corporation with members from community-owned electric and water utilities. Umatilla Electric Cooperative and several other Oregon co-ops are planning to make use of those fibers to provide benefits to their communities. NoaNet has exercised its option to light the remainder of the public benefits fibers on BPA's transmission system in Oregon over the next two years.

BPA will review the needs for fiber on specific routes in its system each year. Included in that review will be an assessment of the needs on the McNary to LaGrande route. I will keep you apprised of our findings.

I trust this is responsive to your inquiry. If I can be of any further assistance, please contact me or have your staff contact Bob Lahmann, Transmission Business Line Account Executive, at 360-418-2092.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

RON WYDEN
OREGON

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Washington, DC
20510-3703
(202) 224-5244

web site:
www.senate.gov/~wyden/

United States Senate

WASHINGTON, DC 20510-3703

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 2000-0538
RECEIPT DATE:
12-13-00
DUE DATE:
12-27-00

December 7, 2000

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

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, T/Ditt2, TM/Ditt2, Anne Morrow-KR-7C, L-7

Dear Mr. Wright:

I am writing to express my interest in the status of BPA's proposed fiber optic link between McNary and La Grande. It is my understanding that BPA has shelved its plans to complete this link, at least for the moment.

I believe that a fiber optic link from McNary to La Grande would serve many important functions and would play a significant role in ensuring that residents of eastern Oregon do not end up on the wrong side of the "digital divide." In particular, representatives of Oregon's higher education community have informed me that such a link is essential for higher education purposes, because Eastern Oregon University in La Grande originates much of the distance learning content for the Oregon University System.

I understand that BPA has committed to Congress to deploy fiber only on routes where BPA itself has a near-term operational need. Accordingly, I understand that your decision on the McNary-La Grande route may focus first on BPA's own needs. Nonetheless, I want you to know that, with regard to creating a McNary-La Grande link, you will have my strong support for the completion of this project.

I would appreciate your keeping me informed of any changes in the status of BPA's plans for the McNary-La Grande fiber route, and it is my hope that you will indeed decide to construct this route in the not-too-distant future. Thank you.

Sincerely,

Ron Wyden

Ron Wyden
United States Senator

cc: Phillip Creighton
Joanne Hugi

Committees:

Budget
Commerce, Science & Transportation
Energy & Natural Resources
Environment & Public Works
Special Committee on Aging

Oregon State Offices:

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Sac Annex Building
105 Fir St
Suite 201
La Grande, OR 97850
(541) 962-7691

U.S. Courthouse
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Medford, OR 97501
(541) 858-5122

The Jamison Building
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Bend, OR 97701
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Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

January 9, 2001

In reply refer to: KR-7C

The Honorable Gordon Smith
United States Senate
Washington, DC 20510-3704

Dear Senator Smith:

Thank you for your letter of December 8, 2000. I sincerely appreciate your kind words of support and your offer of assistance. As you note, this winter will present some challenges for the Northwest power system. Bonneville Power Administration (BPA) and other Pacific Northwest electricity suppliers are prepared to take decisive action to meet loads and maintain reliability. We may have to make some tough decisions to balance fish operations and power generation on the Columbia River, and your support for our efforts is important.

Since you wrote, the Winter Energy Emergency Plan has already been tried and performed soundly. When an Arctic cold front headed towards the Northwest December 8, the Emergency Response Team came together quickly to issue a warning of a level 2 alert. The region's energy community worked together with unprecedented cooperation, and the Northwest governors helped by getting a consistent message to the public throughout the region.

The effort was phenomenally successful. According to a measurement taken by the Northwest Power Pool during the hour (5 p.m. to 6 p.m.) of peak electricity use on December 11, approximately 835 megawatthours of load relief was achieved through end users voluntarily conserving or curtailing power usage. According to this measurement, the combination of load reductions and increased generation during the peak hour made a total of an additional 1,600 megawatts or more of electricity available to the region. This is the equivalent of supplying an entire city slightly larger than Seattle for one hour.

The winter is just beginning, and we may have more occasions when we will have to call on the winter preparedness plan. And, as you note, this winter's emergencies are part of the larger issue of energy shortages and high prices on the west coast. I am hopeful that, working together, we can come up with constructive solutions that provide for competitive markets, a reliable power system, and lower costs for consumers.

Thank you again for your continued leadership and support.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

GORDON H. SMITH
OREGON

COMMITTEES:
BUDGET
ENERGY AND NATURAL RESOURCES
FOREIGN RELATIONS

United States Senate

WASHINGTON, DC 20510–3704

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 2000.0528
RECEIPT DATE:
12.8.00
DUE DATE:
12.22.00

December 8, 2000

Mr. Steve Wright
Acting Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, DMahar-KC-7, EMosey-KC-7, L-7, P-6, T/Ditt2
PAT/BART/ANNE

Dear Steve:

I appreciated the opportunity to visit with you earlier this week about several of the issues that Bonneville Power Administration (BPA) is currently facing. You have taken over the helm of BPA at a crucial time, and I know the agency and the region will benefit from your years of experience with the agency.

I was encouraged to see that an emergency response team has been convened to address the potential for severe cold and continued dry weather in the Pacific Northwest next week. I know that the team, major utilities, BPA and the other federal agencies are going to face difficult choices in the coming days. I want to assure you that you have my full support for any actions you deem necessary to try to address this short-term energy shortage. I would also like to offer my assistance in dealing with other entities to address this power supply situation.

Please be sure to contact me if I can be of any assistance to you on this short-term energy shortage. This event, and recent events in California, raise numerous other federal policy issues about the long-term energy supply situation that I'm sure will be the subject of congressional oversight in the months to come. I look forward to working with you and other parties in the region in the coming Congress to ensure energy reliability for the Northwest.

Sincerely,

Gordon H. Smith
United States Senator

www.senate.gov/~gsmith
oregon@gsmith.senate.gov

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Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

February 1, 2001

In reply refer to: KR-7C

The Honorable Gordon Smith
United States Senate
Washington, DC 20510-3704

Dear Senator Smith:

This is in response to your letter of January 5 expressing concern about the five Oregon public utilities that are suffering financial burdens because of the Bonneville Power Administration (BPA) contracts they signed in June 1998. As you note, the contracts are indexed to the spot market prices at the Mid-Columbia trading hub and today these utilities are suffering the consequences of exposure to unprecedented power market prices.

You may be aware that in 1998 the customers requested that we convert their fixed rate contract to an index, and that BPA at the time expressed our misgivings about the conversion. We urged the customers to actively manage the risk associated with this kind of purchase. At the time the contracts were signed, we offered risk management services and access to BPA's credit to enable them to hedge the purchases. We have continued to encourage them to manage the risk in various ways.

Last summer, we changed the contracts to defer payment of the indexed portion, spreading payments over five years. At that time, we also offered to fix the price of the contract, but the customers decided to remain with the indexed price.

After receiving your letter, I met with several of the utility General Managers to discuss ways that BPA could partially address their financial exposure. As a result of that meeting, BPA agreed to purchase a monthly "cap," or maximum price, for the remainder of the utilities; contract term in the current fiscal year. BPA absorbed 90 percent of the $5 million cost of the cap, and the index customers paid the balance.

These caps, while much higher than BPA fixed prices, provide the customers budget certainty by defining the maximum possible prices they might pay in the next six-nine months. They also allow for the customers to get lower prices if the market falls. In return, BPA has taken appropriate actions to protect its other, non-index customers by hedging against even higher prices to this category of market-priced sales. Thus, BPA was able to insulate the index customers from further price spikes while still protecting BPA finances should prices go higher.

The utilities have publicly expressed their gratitude and appreciation for the help we have given them. Unfortunately, BPA has limited flexibility to provide any more. In 1998, we swapped a portion of the deal in our own hedging program, and we have obligations to the counter party. As you know, we too have been paying extremely high prices for power on the open market ourselves. In January, BPA declared a power emergency under the Biological Opinion in order to operate the hydro system more aggressively and meet Northwest loads.

BPA is very concerned about the future of public utilities and their customers in this region as we grapple with the huge challenges of the west coast energy crisis. I am very thankful for the leadership and involvement of you and other members of the Northwest congressional delegation as we work together toward solutions.

Thank you for your letter. If I can be of further help, please contact me or have your staff contact John Lebens, at (503) 230-3965.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

GORDON H. SMITH
OREGON

COMMITTEES:
BUDGET
ENERGY AND NATURAL RESOURCES
FOREIGN RELATIONS

United States Senate

WASHINGTON, DC 20510-3704

January 5, 2001

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 2001.0006
RECEIPT DATE:
1.8.01
DUE DATE:
1.22.01

Steve Wright
Acting Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, P-6, PT-5,
Anne Morrow-KR-7C, John Lebens-PSW-6
PAT/BART

Dear Steve:

I am writing today about the serious repercussions for several Oregon communities as a result of certain contracts for power that the Bonneville Power Administration (BPA) has entered into with four Oregon People's Utility Districts (PUDs) and one municipal electric utility.

These consumer-owned utilities purchase a portion of their power from BPA at a rate that is determined by the spot market price at the Mid-Columbia trading hub. As you know, the entire west coast is experiencing high electricity demand and extreme price volatility. There is great concern that, based on current and projected forecasts, this group of utilities will pay over $100 million more than they had anticipated for power costs between now and the end of September 2001. This will have significant economic repercussions for the communities served by these utilities.

It is my understanding that your staff is already negotiating with these utilities. I would encourage you to seek every possible solution to help these utilities remain viable while still fulfilling your obligations to BPA's other customers.

I recognize that the high energy prices on the west coast are making your job as Acting Administrator very difficult, and I want to reiterate my support for your efforts on behalf of the Northwest during this time. Please keep me apprized of your efforts to assist these Oregon utilities.

Sincerely,

Gordon H. Smith
United States Senator

www.senate.gov/~gsmith
oregon@gsmith.senate.gov

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Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

February 20, 2001

In reply refer to: KR-7C

The Honorable Patty Murray
United States Senate
Washington, DC 20510

Dear Senator Murray:

This is in response to your letter of January 18, 2001, forwarding some ideas from the Northwest Energy Coalition (NWEC) for Bonneville Power Administration (BPA) to consider in developing its conservation acquisition efforts.

As the letter notes, this last year has seen unprecedented changes in the west coast electricity market. At the same time, BPA's load obligations under the subscription contracting process have increased dramatically. To help meet those obligations, we are augmenting the federal hydro system through power purchases for the upcoming 2002-2006 rate period, in a very high-priced power market.

One of the ways we are augmenting the federal system is through conservation, demand-side management, and renewable resource initiatives. In the next rate period, we have already budgeted $200 million for our Conservation and Renewable Resources Discount (C&RD) Program, $60 million for market transformation through contributions to the Northwest Energy Efficiency Alliance, and $15 million for low-income weatherization. In addition, we are designing a broad range of new conservation augmentation efforts (collectively referred to as ConAug) to aggressively go after all cost-effective conservation in our customers' service areas. We are also accelerating our efforts to improve energy efficiency in Federal buildings and hydroelectric facilities in the region. This is an ambitious program that will take an incredible amount of hard work, cooperation, and commitment from our customers and others in the region.

Through these efforts, BPA plans on achieving at least 215 average megawatts (aMW) of conservation by the end of 2006. This is well beyond the 166-aMW target in the Council's current power plan. We agree with NWEC that the next power plan (due in 2003) is very likely to call for a substantial increase, and we are developing our new demand-side initiatives in anticipation of this increase. BPA is going after all the cost-effective conservation and will be more than pleased to exceed the 215-aMW estimate if we can. We continue to look forward to the 2003 Council Plan for guidance on achievable conservation potential.

As part of the ConAug effort, BPA has issued an invitation to reduce load through conservation (ConAug bids). NWEC conveys some specific suggestions about this ConAug bidding. First, it proposes that BPA acquire conservation under the ConAug bidding regardless of the corresponding load reduction. Without the assurance of load reduction, though, BPA may find itself paying twice—once for conservation and once more for system purchases to meet BPA's load obligation in those situations where conservation does not reduce BPA's load. Asking BPA to pay for conservation without realizing any energy savings will simply drive our rates up when we pay twice for the same energy.

Many of BPA's larger customer utilities that purchase only part of their power requirements from BPA are purchasing power themselves in this volatile energy market. We believe these utilities should have the choice of funding their own conservation and realizing the market value of the energy savings or asking BPA to fund their conservation and passing the energy savings back to BPA to reduce our augmentation purchases. BPA, in its regional role, can work collaboratively with utilities, private sector service providers, and other stakeholders in the region to realize economies of scale in region-wide conservation initiatives.

I also want to respond to the NWEC concern that BPA will get limited response unless it commits to a "standard offer" of market price plus 10 percent for the ConAug bids. We are taking several steps to make it easy for our customers to submit proposals. We have streamlined the ConAug bidding process. In addition to a straightforward prescriptive path for many conservation measures, BPA also offers a custom approach. Customers can design the program that works best for them and then ask for BPA funding. There are no minimum or maximum bid restrictions. Bids do not compete with each other; they stand on their own merit.

The ConAug bidding process is designed to provide a level of conservation funding flexibility and stability never before offered to our customers. It has no predetermined budget ceiling. If a ConAug bid makes good economic sense to BPA, we will do it. The term of the ConAug contract can match the term of the BPA customers' new power sales contract (i.e., up to ten years).

Finally, we have provided a window of opportunity early this spring to make adjustments in ConAug bidding if needed. If at that time the current ConAug bids do not appear to have us on a path to achieve our conservation savings objectives, we will give full consideration to a standard offer approach.

Given the potential costs we are likely to incur next year for resource acquisition and potentially large rate increases we are forecasting, we do believe it is appropriate to assess whether there is more BPA can do to promote energy conservation. We are currently talking with opinion leaders in the region about this matter and expect to take further actions in the coming months.

We look forward to continuing to work with NWEC and the Northwest congressional delegation toward effective and expeditious solutions to the current west coast energy crisis. Conservation is a very important part of this package. Any encouragement you or NWEC can provide to our potential ConAug participants will go a long way toward achieving success.

Thank you for your letter.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

PATTY MURRAY
WASHINGTON

COMMITTEES:
APPROPRIATIONS
BUDGET
HEALTH, EDUCATION, LABOR AND PENSIONS
VETERANS' AFFAIRS

United States Senate

WASHINGTON, DC 20510–4704

January 18, 2001

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 2001.0025
RECEIPT DATE: 1.24.01
DUE DATE: 2.7.01

Steven J. Wright
Administrator
Bonneville Power Administration (BPA)
U.S. Department of Energy
P.O. Box 3621
Portland, Oregon 97208

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, PN-1, P-6
PAT / BART / JOHN

Dear Steve:

As a follow-up to our meeting earlier this week, I am writing to pass along a letter I have received from the Northwest Energy Coalition.

We both agree on the need to conserve energy throughout the Northwest. This winter's energy crisis makes it all the more critical that we carefully examine how we can expand conservation to help our region meet its energy needs. The attached letter raises some specific conservation proposals for the Bonneville Power Administration to consider.

I look forward to hearing your response to the ideas set forth in the Northwest Energy Coalition letter.

Sincerely,

Patty Murray

Patty Murray
United States Senate

Attachment

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EVERETT, WA 98201–4107
(425) 259–6515

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(206) 553–5545

601 WEST MAIN
SUITE 1213
SPOKANE, WA 99201–0613
(509) 624–9515

140 FEDERAL BUILDING
500 W. 12TH STREET
VANCOUVER, WA 98660–2871
(360) 696–7797

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(509) 453–7462

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worldwide web: http://www.senate.gov/~murray/

NW Energy Coalition

For a clean and affordable energy future

A World Institute for a Sustainable Humanity
Alaska Housing Finance Corporation
Alliance to Save Energy
Alternative Energy Resources Organization
American Rivers
Assoc. for the Advancement of Sustainable Energy Policy
Central Area Motivation Program
Citizens Utility Board
Clallam-Jefferson Community Action Council
Climate Solutions
Cold Spring Conservancy
Community Action Directors of Oregon
Earth and Spirit Council
Emerald People's Utility District
Eugene Future Power Committee
Eugene Water & Electric Board
Fair Use of Snohomish Energy
Friends of the Earth
Golden Eagle Audubon Society
Greenhouse Action
Greenpeace
Housing & Community Service Agency of Lane Co.
Human Resources Council, District XI
Idaho Citizens Network
Idaho Conservation League
Idaho Consumer Affairs
Idaho Rivers United
Idaho Wildlife Federation
Kootenay-Okanagan Electric Consumers Association
League of Utilities and Social Service Agencies
League of Women Voters - ID, OR & WA
Metrocenter YMCA
Montana Environmental Information Center
Montana Public Interest Research Group
Montana River Action
Missoula Urban Demonstration Project
Mountaineers
National Center For Appropriate Technology
Natural Resources Defense Council
Northern Plains Resource Council
Northwest Energy Efficiency Council
Northwest Resource Information Center
Opportunity Council
Oregon Action
Oregon Energy Coordinators Association
Oregon Energy Partnership
Oregon Environmental Council
Oregon Student Public Interest Research Group
Pacific NW Regional Council of Carpenters
Pacific Rivers Council
Portland Energy Conservation, Inc.
Portland General Electric
Puget Sound Council of Senior Citizens
Renewable-Northwest Project
Rivers Council of Washington
Salmon For All
Save Our Wild Salmon Coalition
Seattle Audubon Society
Seattle City Light
Sierra Club
Sierra Club of British Columbia
Snohomish County Public Utility District
Solar Energy Association of Oregon
Solar Information Center
South Central Community Action Agency
South East Idaho Community Action Agency
Southern Alliance for Clean Energy
Spokane Neighborhood Action Programs
Tahoma Audubon Society
Trout Unlimited
Union of Concerned Scientists
WA Association of Community Action Agencies
Washington Citizen Action
Washington Environmental Council
Washington Public Interest Research Group
Washington Solar Energy Industries Association
Washington State University - Energy Program
Washington Wilderness Coalition
Western Solar Utility Network Cooperative
Working for Equality and Economic Liberation
Yakima Valley Opportunities Industrialization Center

Associate Members:
City of Ashland
Puget Sound Energy

Supporting Members:
Clackamas County Weatherization
Housing Authority of Skagit County
Multnomah County Weatherization
Rocky Mountain Institute
WA Dept. Community, Trade & Econ. Development

January 15, 2001

Senator Patty Murray
111 Russell Office Building
Washington, DC 20510

Dear Senator Murray,

The Bonneville Power Administration has a tremendous opportunity to capture energy savings from investments in conservation and energy efficiency measures that will help reduce the region's power shortage. The unprecedented demand for electricity from the federal system requires dramatic action from BPA. As you know, BPA plans to buy approximately 3000 average megawatts (aMW) from the very volatile electricity market to meet its obligations. BPA is also hoping to acquire 100 aMW of energy savings from its Conservation Augmentation program over the next five years and 100 aMW from its other conservation efforts. We believe this conservation target is too modest and the acquisition program likely to be ineffective.

BPA has three programs for promoting energy efficiency in addition to Conservation Augmentation. BPA supports the Northwest Energy Efficiency Alliance; it funds a low income weatherization program and it will have a rate discount for conservation and renewable energy investments once the new rate period begins in October 2001. NEEA and the low income program are excellent endeavors. They amount to $15 million per year. Our hope is that the rate discount program stimulates new conservation initiatives by BPA customers. We are concerned, however, that the BPA discount (approximately $40 million per year) will be used to supplant existing utility funds and may not generate new energy savings. BPA's own ratecase load forecast concurred with this assessment as it assigned no energy savings to the C&R discount. The Conservation Augmentation program is the focus of the rest of this letter as it is the single biggest BPA initiative.

The Conservation Augmentation energy savings target is conservative given that market prices for electricity are high and forecasted to remain high for the next five years. In addition, natural gas prices are also very high, making the cost of building a natural gas fired power plant more expensive. BPA's conservation target comes from analysis done by the Northwest Power Planning Council in 1996 with a minor readjustment done in early 2000. In December, NPPC staff announced a preliminary estimate which increased cost-effective conservation from 1500 to 2400 aMW for the region. In 2003, the Power Council plans to do a new Power Plan that will include a comprehensive update of conservation

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Portland: 1130 SW Morrison Street, Suite 330 · Portland, OR 97205 · 503.417.1105 · 503.390.6287
nwec@nwenergy.org · www.nwenergy.org

potential which reflects new market price forecasts for electricity and natural gas. BPA wants to wait until the new Power Plan is completed before it increases its energy savings goals. When BPA reopened the ratecase, it did update the forecast for market prices during the upcoming rate period from 28 mills to 48 mills. Higher market prices significantly increase the amount of cost-effective conservation available in the region. Given current and forecasted market prices it seems inappropriate to wait for the next Power Plan to increase the energy conservation target. We believe that enough information is known today for BPA to increase its target for acquiring energy savings to at least 250 aMW over the five year period.

The ConAug program is a voluntary program whereby BPA pays its customers for energy savings in return for a reduction in that customer's load on BPA. ConAug has two major flaws that will limit its success.

First, the load reduction requirement is a big hurdle for all BPA's partial requirements customers. Since, BPA rates are lower than market prices (which is why BPA is oversubscribed) customers are not very interested in reducing their take of BPA resources. On one hand, it makes sense for BPA to demand a load reduction at a time when it is trying to reduce the amount of market purchases it must make. On the other hand, BPA is required to meet all load growth for the region's public utilities and is required to be the provider of last resort for all of the Western grid as we have seen during this energy crisis. Given these facts, BPA should be acquiring conservation regardless of the corresponding load reduction. Any cost effective energy savings in the region will help reduce the burden on BPA and bring power costs down.

Second, in order for BPA to secure load reduction commitments from its large partial requirements customers, which have the most conservation potential - City of Seattle, Snohomish PUD, Tacoma Power, Clark Utilities and Eugene Water & Electric Board, BPA's ConAug proposal must be financially attractive. BPA has been reluctant to disclose the terms under which it will purchase conservation from its customers. Without a "standard offer" or commitment to offer at least market price participation will be limited. It is our understanding that as of mid December only one utility had responded to the ConAug proposal. We recommend that BPA offer to purchase energy savings at the market price plus the10% cost advantage provided for in the Pacific Northwest Electric Power Planning and Conservation Act of 1980.

You have long been a friend of energy conservation and BPA. Volatility in the electricity markets provides the perfect basis for acceleration of conservation efforts at BPA, the federal and state levels. We look forward to working with you to ensure that BPA's programs are as effective as they can be and to develop a federal legislative initiative on energy conservation and efficiency for the coming Congress.

Sincerely,

Sara Patton
Coalition Director

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

February 27, 2001

In reply refer to: KR-7C

The Honorable Mike Simpson
U.S. House of Representatives
Washington, DC 20515

Dear Representative Simpson:

Thank you for your letter of February 9, 2001, suggesting Bonneville Power Administration (BPA) pay irrigators to reduce their water and/or electricity consumption.

We agree that this is a good idea. This week, BPA offered a Load Reduction Program for Irrigated Agriculture (Program) to our public utilities who serve irrigators. This Program should reduce BPA's load requirements this spring and summer, while keeping more water in the Columbia River Basin, including the Snake River, for power generation. We are setting the price for buying back load from the irrigators at below the current market price for power that we would otherwise have to buy to serve that load. The price takes into account the fact that BPA will bear all of the risks under this program such as weather variations and the uncertainty of savings occurring.

BPA will consider all comments and suggestions for ideas on how to address the shortage of electricity supply and preserve power system reliability this year. We have received over 100 specific ideas and comments in this process so far, focusing on ideas to reduce electrical demand and, in some cases, increase electrical supply. I will be reviewing all of these comments and giving them serious consideration as we further develop our strategies to deal with this crisis. We have already purchased several hundred average megawatts of long- and short-term reductions from energy intensive customers and instituted a range of aggressive new conservation programs. We are working on summer contingency hydro operations with the Federal agencies involved with hydro system operations and Endangered Species Act objectives.

I am hopeful that this package of near-term measures will be effective in helping to manage the size of BPA's rate increase, preserve the Pacific Northwest economy and maintain power system reliability. I appreciate your support during these challenging times, and I look forward to working with you on these and the longer term solutions to the west coast energy crisis.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

MIKE SIMPSON
SECOND DISTRICT, IDAHO

1440 LONGWORTH BUILDING
WASHINGTON, DC 20515
(202) 225-5531

COMMITTEES:

AGRICULTURE
RESOURCES
TRANSPORTATION
AND INFRASTRUCTURE
VETERANS' AFFAIRS

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
February 9, 2001

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 2001-0062
RECEIPT DATE: 2-13-01
DUE DATE: 2-27-01

The Honorable Stephen J. Wright
Bonneville Power Administration
P.O. Box 12999
Portland, Oregon 97212

Dear Administrator Wright:

I appreciate the opportunity we had recently to meet and discuss the current power situation in the Northwest. It is my understanding the Bonneville Power Administration (BPA) has solicited comments and suggestions from its ratepayers on how to mitigate this situation.

As a result, I am writing to ask you to give all suggestions submitted to BPA due consideration. A number of my constituents have contacted me with suggestions that may lessen the negative economic impact of BPA's rate increase over the next five years.

One idea that Idaho Governor Dirk Kempthorne supports is for BPA to pay irrigators to reduce their electricity consumption. BPA could offer this program to its public utility customers in Idaho. This would reduce the amount of power BPA would need to buy on the open market and could help BPA reduce its power purchase costs, thus decreasing potential rate increases after September of this year. In addition, since some irrigators pump directly out of the Snake River, this program may keep the water in the river for power generation and fish flows downstream.

Thank you for your attention to this matter. I look forward working with you to address the energy needs of the Northwest. It is my understanding that other power providers in the region are considering offering similar programs to its customers.

Sincerely,

Mike Simpson
Member of Congress

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, KR-7, DMahar-KC-7, EMosey-KC-7, GKuehn-KCC-7, RItami-PSE/Spokane

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

February 27, 2001

In reply refer to: KR-7C

The Honorable Gordon Smith
United States Senate
Washington, DC 20510

Dear Senator Smith:

Thank you for your letter of February 12, 2001, expressing support for Bonneville Power Administration (BPA) paying irrigators to reduce their water and/or electricity demands by not pumping water this growing season.

We agree that this is a good idea. This week, BPA offered a Load Reduction Program for Irrigated Agriculture (Program) to our public utilities who serve irrigators. We are also pursuing an arrangement with the three irrigation districts associated with the Columbia Basin project. This arrangement has huge potential. We can realize energy savings that otherwise would be used to pump water out of Grand Coulee reservoir into Banks Lake, pump water from Banks Lake into the Columbia Basin canal system, and, finally, pump water out of the canals into the irrigators' fields. In addition, we receive the value of keeping the water in the river at Grand Coulee.

These are two of several near-term actions we are taking to address the high-market prices and shortage of electricity supply. Others include purchasing short and long-term reductions from energy intensive customers and introducing a range of aggressive new conservation initiatives. Because, as you say, the situation is likely to get worse before it gets better, BPA has also proposed contingency hydro operations for this spring and summer. These contingency operations would be triggered by agreed-upon indicators such as the level of BPA's financial reserves and/or market power prices. They would involve re-prioritizing some of the objectives under the 2000 Biological Opinion for salmon recovery. We are discussing these operations with the other Federal agencies involved in managing the Federal Columbia River Power System and Endangered Species Act compliance.

The Load Reduction Program for Irrigated Agriculture is expected to help reduce BPA's load requirements this spring and summer, while keeping more water in the Columbia River Basin for power generation. We are setting the price for buying back load from the irrigators at below the current market price for power. The price takes into account the fact that BPA will bear all of the risks under this program such as weather variations and the uncertainty of savings occurring.

You ask about the costs and the expected savings from the irrigation load buydown. In fact, because BPA is paying less than the price we expect to pay to meet that load through purchases in the wholesale power market, the program should represent a savings to BPA. It is difficult to project what level of participation we will get from irrigators, but optimistic projections are that we could receive in excess of 100 average megawatts in irrigation load reductions this spring and summer.

I am hopeful that this package of near-term measures will be effective in managing BPA's situation this year such that our rate increase is manageable, the Pacific Northwest economy is stable, and power system reliability is maintained. I appreciate your support during these challenging times for BPA. I look forward to working with you on these and the longer term solutions to the west coast energy crisis.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

cc:
The Honorable Larry Craig
United States Senate
Washington, DC 20510

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 2001-0058
RECEIPT DATE:
2-12-01
DUE DATE:
2-26-01

United States Senate

WASHINGTON, DC 20510

February 12, 2001

Mr. Steve Wright
Acting Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, KR-7, DMahar-KC-7, EMosey-KC-7, RItami-PSE/Spokane

Dear Steve:

We are writing today to urge you to examine all possible solutions to the shortages of electricity and water facing the Northwest. As you know, the situation is going to get even worse in the months to come, unless the region experiences significant precipitation in the coming weeks. We are committed to preserving both the environment and the economy of the Northwest, and want to work with you toward those ends.

We would like to express our support for a concept being discussed by many of our respective constituents as a means of addressing this crisis. The proposal, in essence, would enable Bonneville -- working through its utility customers -- to pay willing irrigators to fallow some, or all, of their lands for this growing season. In essence, the utilities would be paying irrigators to either reduce or not pump water for irrigation, freeing up an equivalent amount for electricity generation and salmon runs. In Bonneville's case, purchasing load reductions for less than the market price of power will help to reduce the size of BPA's rate increase in the next five year rate period. It is a vital tool in BPA's effort to minimize the negative economic effects of current and anticipated electricity markets on the Northwest's economy.

Where applicable under state water law, the utility could also lease or buy the irrigator's water for instream flows for this year only. This would provide more water for hydropower generation. Potentially even more important, depending on the watershed, it could provide water in critical tributary habitat for salmon.

Last year, we witnessed the best salmon runs in years, if not decades. Therefore, it is imperative that we try to ensure that redds and habitat for juvenile salmon remain watered up throughout the basin. Enabling willing irrigators to fallow their land before the start of the irrigation season, and to be compensated for doing so, could go a long way toward maximizing the benefits of both energy conservation and salmon recovery. We believe that if structured properly, this proposal would be consistent with concepts implemented in the current biological opinion for river operations.

It is our view that BPA has the current legal authority to pursue the program we have outlined above. However, if you do not believe BPA has such authority, we ask that you let us know immediately. We would also like your estimate of how much this program would cost and how much energy could be conserved.

We understand the difficult position that you personally, as Acting BPA Administrator, are in during this crisis period. We appreciate your willingness to serve the Northwest in this capacity, and look forward to working with you on these issues that are so critical to the future of the Northwest.

Sincerely,

Gordon H. Smith
United States Senator

Larry Craig
United States Senator

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

February 27, 2001

In reply refer to: KR-7C

The Honorable Larry Craig
United States Senate
Washington, DC 20510

Dear Senator Craig:

Thank you for your letter of February 12, 2001, expressing support for Bonneville Power Administration (BPA) paying irrigators to reduce their water and/or electricity demands by not pumping water this growing season.

We agree that this is a good idea. This week, BPA offered a Load Reduction Program for Irrigated Agriculture (Program) to our public utilities who serve irrigators. We are also pursuing an arrangement with the three irrigation districts associated with the Columbia Basin project. This arrangement has huge potential. We can realize energy savings that otherwise would be used to pump water out of Grand Coulee reservoir into Banks Lake, pump water from Banks Lake into the Columbia Basin canal system, and, finally, pump water out of the canals into the irrigators' fields. In addition, we receive the value of keeping the water in the river at Grand Coulee.

These are two of several near-term actions we are taking to address the high-market prices and shortage of electricity supply. Others include purchasing short and long-term reductions from energy intensive customers and introducing a range of aggressive new conservation initiatives. Because, as you say, the situation is likely to get worse before it gets better, BPA has also proposed contingency hydro operations for this spring and summer. These contingency operations would be triggered by agreed-upon indicators such as the level of BPA's financial reserves and/or market power prices. They would involve re-prioritizing some of the objectives under the 2000 Biological Opinion for salmon recovery. We are discussing these operations with the other Federal agencies involved in managing the Federal Columbia River Power System and Endangered Species Act compliance.

The Load Reduction Program for Irrigated Agriculture is expected to help reduce BPA's load requirements this spring and summer, while keeping more water in the Columbia River Basin for power generation. We are setting the price for buying back load from the irrigators at below the current market price for power. The price takes into account the fact that BPA will bear all of the risks under this program such as weather variations and the uncertainty of savings occurring.

You ask about the costs and the expected savings from the irrigation load buydown. In fact, because BPA is paying less than the price we expect to pay to meet that load through purchases in the wholesale power market, the program should represent a savings to BPA. It is difficult to project what level of participation we will get from irrigators, but optimistic projections are that we could receive in excess of 100 average megawatts in irrigation load reductions this spring and summer.

I am hopeful that this package of near-term measures will be effective in managing BPA's situation this year such that our rate increase is manageable, the Pacific Northwest economy is stable, and power system reliability is maintained. I appreciate your support during these challenging times for BPA. I look forward to working with you on these and the longer term solutions to the west coast energy crisis.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

cc:
The Honorable Gordon Smith
United States Senate
Washington, DC 20510

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 2001-0058
RECEIPT DATE:
2-12-01
DUE DATE:
INFO ONLY

United States Senate
WASHINGTON, DC 20510

February 12, 2001

Mr. Steve Wright
Acting Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208

INFO ONLY: KR-7C
cc: A-7, D-7, KN/Wash, KR-7, DMahar-KC-7, EMosey-KC-7, RItami-PSE/Spokane

Dear Steve:

We are writing today to urge you to examine all possible solutions to the shortages of electricity and water facing the Northwest. As you know, the situation is going to get even worse in the months to come, unless the region experiences significant precipitation in the coming weeks. We are committed to preserving both the environment and the economy of the Northwest, and want to work with you toward those ends.

We would like to express our support for a concept being discussed by many of our respective constituents as a means of addressing this crisis. The proposal, in essence, would enable Bonneville -- working through its utility customers -- to pay willing irrigators to fallow some, or all, of their lands for this growing season. In essence, the utilities would be paying irrigators to either reduce or not pump water for irrigation, freeing up an equivalent amount for electricity generation and salmon runs. In Bonneville's case, purchasing load reductions for less than the market price of power will help to reduce the size of BPA's rate increase in the next five year rate period. It is a vital tool in BPA's effort to minimize the negative economic effects of current and anticipated electricity markets on the Northwest's economy.

Where applicable under state water law, the utility could also lease or buy the irrigator's water for instream flows for this year only. This would provide more water for hydropower generation. Potentially even more important, depending on the watershed, it could provide water in critical tributary habitat for salmon.

Last year, we witnessed the best salmon runs in years, if not decades. Therefore, it is imperative that we try to ensure that redds and habitat for juvenile salmon remain watered up throughout the basin. Enabling willing irrigators to fallow their land before the start of the irrigation season, and to be compensated for doing so, could go a long way toward maximizing the benefits of both energy conservation and salmon recovery. We believe that if structured properly, this proposal would be consistent with concepts implemented in the current biological opinion for river operations.

It is our view that BPA has the current legal authority to pursue the program we have outlined above. However, if you do not believe BPA has such authority, we ask that you let us know immediately. We would also like your estimate of how much this program would cost and how much energy could be conserved.

We understand the difficult position that you personally, as Acting BPA Administrator, are in during this crisis period. We appreciate your willingness to serve the Northwest in this capacity, and look forward to working with you on these issues that are so critical to the future of the Northwest.

Sincerely,

Gordon H. Smith
United States Senator

Larry Craig
United States Senator

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

March 2, 2001

In reply refer to: KR-7C

The Honorable Greg Walden
U.S. House of Representatives
Washington, DC 20515

Dear Representative Walden:

This is in response to your letter to me of January 24, 2001, requesting that Bonneville Power Administration (BPA) prepare an assessment of potential transmission and/or generation enhancements on the Federal Columbia River Power System (FCRPS). Your letter refers specifically to the four empty bays at the John Day powerhouse and asks if there are similar opportunities throughout our system.

On February 9, 2001, BPA staff from our Portland and Washington, D.C., office and the U.S. Army Corps of Engineers (Corps) Northwestern Division based in Portland participated in a conference call with Troy Tidwell and Jeff Eager of your staff to discuss your needs and our response to your request. The information I am conveying in this letter represents our understanding of what your staff wanted. If you need more or different information, please let us know and we will try to get it to you quickly.

The 30 Corps and Bureau of Reclamation (Reclamation) hydroelectric projects operating in FCRPS have a combined nameplate capacity of 20,402 megawatts (MW) and an average annual energy generation of 9,421 average MW [or 82.5 million megawatthours]. The nameplate capacity is a rating of the maximum potential of a generating unit if it were used at full capacity all the time. The average energy is the actual measure of a project's generation over time. Average energy in any given year is dependent on the amount of water available in the system during that year to drive the turbines and generate electricity, as well as planned and unplanned maintenance outages.

The empty bays at the John Day Project would allow for the addition of four units with a nameplate capacity of 540 MW to 620 MW. However, the average energy these four units would generate would be considerably lower. In the 50 water years we analyzed, there would have been sufficient flows (80,000 cfs) to operate all four additional units only 6 months of the entire 50-year period, mostly during periods of high spring runoff. During these times, generation in the entire system is high and market prices are low, as is demand in the Pacific Northwest. At these times, BPA is often selling surplus energy on the spot market rather than using it to meet loads. In light of all this, it is unlikely there would be any financial or energy benefit at this time to adding additional units at John Day.

BPA is taking aggressive action to help relieve the Western power situation. In addition to load curtailment and conservation, we are also working to capture any increased potential within FCRPS. The FCRPS optimization project will increase generation at the projects through more efficient use of water, improved operations and improved machinery. We are expanding capability at the projects where improvements are expected to result in an increase in average annual energy. For instance, we are evaluating the addition of units at Libby and Dworshak. (As we told your staff, however, there is only

1 month in 50 years where there is sufficient water to fully operate all three additional units possible at Libby.) We are also retrofitting equipment for greater energy efficiency.

BPA has been working to identify potential improvements to the federal generation and transmission system. Within the next couple of weeks, we will have more information to share with you regarding actual and potential BPA actions to help relieve the Western power situation.

In your letter, you offer to assist with getting the necessary Administration and congressional authorizations for improvements to FCRPS. As we described to your staff on the conference call, except for continuing authority rehabilitation work at Bonneville and The Dalles Dams, congressional authorizations or appropriations are not legally necessary for generation improvements on FCRPS. The 1992 National Energy Policy Act, Public Law 102-486, Section 2406, clarified that BPA has the authority to direct fund improvements and expansions at federal projects in the Pacific Northwest. If BPA were to pursue all of the projects identified to help address the west coast energy crisis, however, our current borrowing authority from the U.S. Treasury would not be sufficient. Current staff estimates indicate that BPA would need additional borrowing authority to fund conservation as well as transmission system improvements needed to maintain system reliability and integrate planned new generation into the system.

I very much appreciate your interest and involvement in assisting BPA and the federal power generators (Corps and Reclamation) with meeting the demands of this west coast energy crisis. I can assure you that we are on an aggressive path to take every action that we can and that we will continue to evaluate expansion options even if they are not economically viable today. I hope that the information I have provided you here is a useful foundation for our work together on increasing the capability of the federal generation and transmission system. The support and action of our congressional delegation will certainly continue to be critical to our success.

If you have any further questions or need more information, please do not hesitate to contact me or have your staff contact Mark Jones of our power business, at (503) 230-3470 or Mark Bond of our transmission business, at (360) 418-8607.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

GREG WALDEN
2D DISTRICT, OREGON

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TELEPHONE: (202) 225-6730

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Congress of the United States
House of Representatives

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January 24, 2001

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 2001-0034
RECEIPT DATE: 1-24-01
DUE DATE: 2-21-01

Stephen Wright
Acting Administrator
Bonneville Power Administration
905 NE 11th Ave.
Portland, OR 97232

Dear Administrator Wright:

I am writing to ask Bonneville Power Administration (BPA) to prepare a report that would assess and review potential transmission enhancements and/or installation of power generating equipment in the Bonneville system. It is my understanding that the John Day powerhouse includes four bays which have never had generating equipment installed and that these four units could be placed in service to provide up to 600 megawatts of additional power generation. I would also like to know if there are similar opportunities throughout the Bonneville system.

I request that BPA submit its report no later than 30 days from receipt of this letter. It should include a cost estimate and schedule for completing all necessary requirements to initiate design and construction.

I am fully aware that BPA will need to coordinate this report with various parties within the region. BPA should ensure that they include the National Marine Fisheries Service, US Army Corps of Engineers and the Northwest Power Planning Council in producing this report.

Given the current shortfall of power production capability in the western United States, it is imperative that this report reflect a schedule for completing design and construction that is sensitive to the urgent need for increasing available power. After receiving BPA's report, I will work with the Administration and the proper committees in Congress in an effort to authorize these improvements if they are warranted.

Thank you very much for your prompt attention to this matter. If you have any questions, please contact my office at (202) 225-6730.

Sincerely,

Greg Walden
Member of Congress

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, KR-7, P-6, PG-5, PGF-6
PAT/BART

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

April 24, 2001

In reply refer to: KR-7C

The Honorable Brian Baird
U.S. House of Representatives
Washington, DC 20515

Dear Representative Baird:

Thank you for your letter asking about employment issues at the McCook Metals smelting facility. You ask that Bonneville Power Administration (BPA) insist that McCook provide compensation and benefits to its salaried workers as well as its union employees during this plant closure.

Because of your letter and phone calls we have received from concerned employees, BPA has contacted McCook about your concerns. We asked McCook to spend more time with the affected workers (about five percent of its workforce) to help them better understand the benefits and rights they had under the severance package they have been offered. McCook has agreed to extend the deadline for the employees to accept the severance package by another week, to April 25. McCook executives believe the severance package is very generous. We believe that by offering the severance package, McCook has met the terms of its BPA contract.

As you know, BPA has worked very hard to make sure that workers' families are taken care of during these difficult times of aluminum plant closures. If there is something else I can do in this situation, please let me know.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

BRIAN BAIRD
THIRD DISTRICT, WASHINGTON

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

WATER RESOURCES AND ENVIRONMENT SUBCOMMITTEE

COAST GUARD AND MARITIME SUBCOMMITTEE

SMALL BUSINESS COMMITTEE

SCIENCE COMMITTEE

Congress of the United States
House of Representatives
Washington, DC 20515–4703

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RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 01-0162
RECEIPT DATE:
4.11.01
DUE DATE:
4.25.01

April 10, 2001

Acting Administrator Steven Wright
Bonneville Power Administration
Post Office Box 3621
Portland, Oregon 97208-3621

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, L-7, P-6, PT-5
PAT/BART/CINDY

Dear Mr. Steve:

Last week it was announced that more than 40 salaried employees at the McCook Aluminum smelting facility in Southwest Washington would be terminated. According to reports, salaried employees have until April 18, 2001 to sign severance agreements which will effectively end their employment at the smelter.

It is our opinion that this situation is contrary to the terms agreed upon by the Bonneville Power Administration (BPA) and McCook which stipulated that the company would maintain its employment base at existing levels and provide those employees with compensation and benefits. The initial agreement did not differentiate between salaried and hourly employees. Therefore, I would respectfully request that BPA insist that the terms of the agreement be honored, and that salaried employees be treated in the same manner as other employees at the smelter in this regard.

Given the extremely time-sensitive nature of this situation, I would request your response as expeditiously as possible. I would be pleased to work with your agency in whatever way might be helpful to benefit the working families in Southwest Washington who are impacted by this decision.

Sincerely,

Brian Baird
Member of Congress

PRINTED ON RECYCLED PAPER

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

APR 26 2001

In reply refer to: KR-7C

The Honorable Ron Wyden
United States Senate
Washington, DC 20510

Dear Senator Wyden:

Thank you for your letter of March 28, 2001, regarding the Bonneville Power Administration's (BPA) role in addressing the Northwest's energy supply problems.

BPA is very concerned about the impact of the current electricity shortage on the citizens and businesses of the Pacific Northwest. Electricity demand is outstripping supply, and this has led to skyrocketing prices for electricity. In the short term, we are experiencing one of the worst droughts in the last 70 years. Longer term, the Western United States and the Northwest face an imbalance in supply and demand exacerbated by a failed deregulation experiment in California.

The fundamental solution to our long-term problem is for the region to develop new conventional and renewable generation, increase delivery and storage capacity of natural gas, and build needed electric power transmission facilities. We also need increased investments in conservation and other demand-side management measures.

I appreciate your suggestion that BPA work with developers willing to invest their own funds in generation development, and I agree that BPA can play an important role in that respect. We are already facilitating development of generating resources in several ways. BPA has signed agreements with two of its direct-service industrial (DSI) customers in recent months that encourages the development of combustion turbines to help serve their aluminum plants. We will certainly work with other DSIs and generation developers who come forward, providing their proposals do not result in increased costs for our other customers. We are also working with developers to buy the output of planned new facilities in the region in order to meet our firm obligations in the next rate period. These contracts will provide a strong price signal and momentum for new generation in the Pacific Northwest.

BPA is also developing wind energy. In February, the agency issued a request for proposals for new large-scale wind power projects. The 1,000 megawatts (MW) BPA is soliciting would supply the needs of about 150,000 households. We are buying or have under consideration nearly 300 MW of power from 3 existing wind projects in Wyoming and 4 projects under development in Oregon, Washington, and Montana. We have also signed an agreement with

Calpine Corporation to buy up to 49.9 MW of electricity from the Fourmile Hill geothermal project in Northern California.

The market is responding to the shortages, and much new generation is being planned and built. BPA's Transmission Business Line has received requests to integrate more than 25,000 MW of new generating capacity that could be sited in the Northwest. Each new generation site will require transmission to integrate the generation into the system and assure that its power can be transported to load centers.

Since BPA owns and operates about 75 percent of the Pacific Northwest transmission grid, building transmission is a critical way for BPA to help solve the region's energy problems. While not all of the proposed generating capacity will come on line, BPA is planning strategic reinforcements of the grid that can flexibly accommodate from 8,000 to 12,000 MW of new generation over the next 5 years. This work covers three major areas. First, we are conducting studies to see how or whether new generation can be integrated into the existing system. Each proposed generation site must be studied to determine how this generation will affect the system and how this power will get to the appropriate load center. Second, we are building new lines in areas such as Seattle that have seen extraordinary load growth and require new lines to accommodate that growth or for reliability purposes. Finally, we are reinforcing or adding lines to constrained paths that limit the grid's ability to move power from generation sites to load centers. This effort will stress our human and fiscal resources but we believe we must be successful in order to assure a safe, reliable system for the region.

The region is operating at or near its full transmission capacity, so these improvements are substantial, and they are crucial. BPA's capital budget for fiscal years 2002-06 was developed before the current energy crisis occurred. BPA forecasts that it will need about $775 million more over the 2002-06 fiscal year period to carry out the above-mentioned improvements in its transmission program.

The infrastructure improvements I have discussed so far will generally require three to five years to complete. Consumers and businesses need help now. And, as you note, the West Coast energy shortage has been exacerbated by this year's severe drought in the Pacific Northwest. This has increased BPA's already significant exposure to the high-priced electricity market. Without dramatic action, BPA is facing a significant rate increase beginning October 1. We are very focused right now on managing the size of this rate increase. Since supply side options require lead time, the only way we can reduce loads in any meaningful way is to reduce demand. I have recently called on all of our customers—DSIs, public and private utilities alike—to find ways to reduce their take on BPA in the next rate period.

This will not be an easy time for any of us, but we must all share in the solution to this problem. I hope that I can count on your ideas and support for what are likely to be some difficult actions and decisions over the next couple of months.

Thank you for your continued leadership and commitment to energy issues and to BPA's mission and efforts. If there are any other concerns or questions you want to discuss, please contact me or have your staff contact our Washington, D.C., office.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

RON WYDEN
OREGON

516 Hart Senate Building
Washington, DC
20510–3703
(202) 224–5244

web site:
www.senate.gov/~wyden/

United States Senate

WASHINGTON, DC 20510–3703

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 01-0140
RECEIPT DATE:
3.28.01
DUE DATE:
4.11.01

March 28, 2001

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

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, P-6, PG-5, PT-5, GDarr-PGC-6, DMahar-KC-7, EMosey-KC-7

Dear Administrator Wright:

Continuing high electricity prices are having devastating impacts on the Northwest economy and quality of life. Many energy intensive businesses have had to curtail or shut down operations. Their workers and communities face increasing economic hardship the longer the slowdown continues. Seniors and others on fixed incomes are struggling just to keep their lights on and homes heated as electricity prices soar through the roof.

With this year's water supply situation predicted to be the second worst if not the worst on record, the Bonneville Power Administration (BPA) also faces financial exposure to skyrocketing electricity prices. The less power BPA can generate from the Federal hydropower system because of low water levels, the more power it will have to purchase at high prices in the volatile wholesale electricity market.

BPA can help the region weather the current energy crisis and reduce the agency's own financial exposure by providing creative help to those seeking to develop new electricity generation in the region. Developing more power in the region makes the Northwest less vulnerable to the price spikes and rolling blackouts that have plagued the West Coast during the past several months.

Specifically, I urge BPA to work with anyone willing to commit by October 1 to build new energy resources in the Northwest who can meet the following conditions:

1) they are willing to invest their own money into developing new electric power plants;

2) their plants will add a significant amount of additional electricity to serve the region's needs; and

3) the additional power can be brought on-line without impacting other Northwest ratepayers.

Committees:

Budget
Commerce, Science & Transportation
Energy & Natural Resources
Environment & Public Works
Special Committee on Aging

Oregon State Offices:

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Suite 450
Portland, OR 97232
(503) 326–7525

151 West 7th Ave
Suite 435
Eugene, OR 97401
(541) 431–0229

Sac Annex Building
105 Fir St
Suite 201
La Grande, OR 97850
(541) 962–7691

U.S. Courthouse
310 West 6th St
Room 118
Medford, OR 97501
(541) 858–5122

The Jamison Building
131 NW Hawthorne Ave
Suite 107
Bend, OR 97701
(541) 330–9142

707 13th St, SE
Suite 285
Salem, OR 97301
(503) 589–4555

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I know that BPA has already begun working with some Direct Service Industry (DSI) customers on efforts to develop new generation to meet those customers and the region's needs with a long-term goal of making DSI customers independent of BPA. Golden Northwest Aluminum is a prime example of a company putting up its own money to develop new electricity in the region that will not only provide power to keep its plant operating and protect family wages jobs but also supply power beyond the plant's needs that BPA could market to others in the region.

I urge that BPA extend an open invitation for DSIs or anyone else willing to commit by October 1 to develop new generation to come forward with their proposals. If someone is putting their own money on the table for a project that will provide benefits for the entire region and meets the other criteria outlined above, then BPA ought to do what it can to assist the effort.

Besides ensuring adequate electric power generation to meet demand in the region, it is equally critical to have in place a transmission system capable of getting the power from where it is produced to where it is needed. I would also ask for your recommendations for what needs to be done to ensure that BPA's power grid can efficiently handle the power needed to meet both current and projected future needs.

I look forward to working with you on these issues and other innovative solutions to serve our region's electricity needs.

Sincerely,

RON WYDEN

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

May 1, 2001

In reply refer to: KR-7C

The Honorable Peter DeFazio
U.S. House of Representatives
Washington, DC 20515

Dear Representative DeFazio:

This is in response to your letter of April 3, 2001, suggesting that Bonneville Power Administration (BPA) exercise its audit rights under contracts with the direct-service industry (DSI) customers for their use of remarketing revenues.

BPA has remarketing or curtailment agreements in place with several DSI customers. Three of these agreements include provisions that require the companies to use remarketing revenues for specific purposes that will benefit their workers, the community, or the region. These agreements give BPA rights to obtain information from the company about its performance under the contract, including the company's use of these revenues and to ensure that they are used for the purposes specified.

BPA is collecting information from some of the companies now. We intend to collect all of the data that we have contractual rights to and that we believe will be useful in enforcing the provisions of the DSI agreements, and to collect it on a timely basis. Kaiser Aluminum and Chemical Corporation, unfortunately, has so far ignored BPA's requests for an accounting of their use of remarketing proceeds. If a company fails to use remarketing proceeds as specified in the contract, BPA can reduce the amount of power delivered to the company.

Negotiations with the DSIs concerning extended shutdowns will certainly be very sensitive and important to the region's future going into this next rate period. I join with you in seeking a mutually beneficial outcome that will benefit ratepayers and the region as well.

Thank you for your letter.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

4TH DISTRICT, OREGON

RESOURCES COMMITTEE
SUBCOMMITTEE:
WATER AND POWER

TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEES:
AVIATION
COAST GUARD AND MARITIME TRANSPORTATION
WATER RESOURCES AND ENVIRONMENT, Ranking

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812 SE JACKSON ST. #3
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www.house.gov/defazio/

Congress of the United States

House of Representatives

April 3, 2001

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 01-0152
RECEIPT DATE: 4.4.01
DUE DATE: 4.18.01

ASSIGN: KR/C
cc: A-7, D-7, KN/Wash, P-6, PT-5, Scott Wilson-PT-5
PAT/BART/ANNE

Mr. Steven Wright
Acting Administrator
Bonneville Power Administration
P.O. Box 3621
Washington, D.C. 97208-3621

Dear Steve:

As you continue difficult negotiations with the direct service industry (DSI) and other customers in connection with the new rate period beginning October 1, 2001, it is important for the Bonneville Power Administration (BPA) and other policymakers to have access to adequate data to make informed decisions about what is best for BPA, the DSIs, and the region at-large.

It is my understanding that BPA has not yet requested the detailed information to which you are contractually entitled regarding exactly how the DSIs have used the windfall profits made through remarketing BPA power. As you know, while the text varies slightly, a typical remarketing agreement included the following provision:

> "BPA will have the right, subject to reasonable notice, to conduct limited audits...for the sole purpose of confirming that obligations were actually made or incurred for Qualified Expenditures. [Name of company] agrees to make available to BPA at [company's name] offices, any and all documentation necessary to conduct such an audit."

I am concerned that merely knowing the aggregate profit numbers BPA has collected so far is not a sufficient amount of information to have going into the sensitive negotiations with the DSIs.

I would strongly urge BPA to exercise your audit rights and collect this information. It will no doubt prove useful in the ongoing negotiations. Thank you for your prompt attention to my suggestion.

Sincerely,

PETER DeFAZIO
Member of Congress

THIS STATIONERY PRINTED ON PAPER MADE WITH RECYCLED FIBERS

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

May 15, 2001
In reply refer to: KR-7C

The Honorable Greg Walden
Medford District Office
843 East Main Street, Suite 400
Medford, OR 97504

Dear Representative Walden:

Thank you for your letter of April 17, 2001, endorsing a proposal from the Oregon Institute of Technology (OIT) for development of a Renewable Energy Center.

Four professors from OIT presented their proposal to Bonneville Power Administration (BPA) last month. OIT is asking for $150,000 in startup funds from BPA. Staff is reviewing the proposal and plan to make a recommendation on funding soon. I have forwarded your letter to them.

There is limited funding available at BPA for grants right now. BPA is facing a substantial rate increase in order to cover the costs of purchasing power in the wholesale power market to meet our Northwest customers' increasing demands for BPA power. We are very interested in pursuing near-term development of cost-effective renewable energy sources in order to reduce our exposure to the wholesale power market.

I assure you we will weigh the merits carefully and give the OIT proposal full consideration. Thank you for your continued leadership in supporting renewable energy resource development.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

cc:
The Honorable Greg Walden
U.S. House of Representatives
Washington, DC 20515

COMMITTEES:

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ENERGY AND AIR QUALITY

COMMERCE, TRADE, AND CONSUMER PROTECTION

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Congress of the United States
House of Representatives

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RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 01-0176
RECEIPT DATE: 4.20.01
DUE DATE: 5.4.01

April 17, 2001

Mr. Steve Wright
Acting Chief Executive Officer
Bonneville Power Administration
905 N.E. 11th Ave.
Portland, Oregon 97208

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, P-6, PG-5, GDarr-PGC-6, PN-1, PEvans-KR-7C
Bart / Pat

Dear Steve:

It is with a great deal of pleasure that I support your positive consideration of the attached request for funding from Martha Anne Dow, President of Oregon Institute of Technology (OIT). I have been enthused about the Renewable Energy Center ever since President Dow first presented the concept to me.

Not only does OIT have a strong record of achievement in the area of geothermal heat and ground-source heat pumps, they will soon be uniquely qualified in the areas of photovoltaic power, wind generation, and fuel cell systems.

My enthusiasm for their proposal stems from the fact that they are concentrating on practical applications that will have an immediate impact on energy conservation and production. OIT has a nationwide reputation for graduating effective people who put their practical skills to work immediately. Their slogan, "First Hired, Highest Paid", truly describes their record.

I am convinced that they will generate a solid return on your investment. Their project is also at the top of my priorities for appropriations this year and I am working hard to obtain the funding needed. I know that they can deliver on their promises.

Steve, thank you for your kind consideration of OIT's request for funding.

Sincerely,

Greg Walden
Member of Congress

CC: George Darr

OREGON INSTITUTE OF TECHNOLOGY

Oregon Renewable Energy Center Proposal

January 19, 2001

To: George Darr
Bonneville Power Administration
Mail Stop PGC6
Portland, Oregon 97208

From: Dr. Martha Anne Dow, President
Oregon Institute of Technology
3201 Campus Drive
Klamath Falls, Oregon 97601
Phone: (541) 885-1100
e-mail: dowm@oit.edu

The purpose of this proposal is to request start-up funding of $150,000 needed for the planning to establish the Renewable Energy Center (OREC) at Oregon Institute of Technology (OIT) in Klamath Falls, Oregon. OREC will engage in renewable energy system engineering and applied research. Emphasis will be in the applications of geothermal systems, photovoltaic power, ground-source heat pumps, fuel-cell systems and wind power generation, each as stand alone components or integrated into comprehensive renewable energy systems. A detailed cost analysis, for the completion of the OREC facility, will be an outcome of the planning phase. Planning costs include:

Consulting	$ 50,000
Architect	$ 75,000
Travel	$ 20,000
Operational expenses	$ 5,000
Total	$150,000

Consultant expenses will be incurred to complete the functional design of the OREC facility and to initiate relationships with other agencies and grantors to secure funding for the capitol construction phases of the project. Initial planning will result in the design of the OREC laboratories, classrooms and support facilities, including equipment specifications, and equipment vendor recommendations.

OREC Proposed Facilities

Two photovoltaic laboratories, one used as an applied research and systems engineering laboratory and the other used primarily as a teaching laboratory, will be designed. Connected to the PV laboratories will be four roof-mounted photovoltaic arrays, DC battery banks, power inverters, dynamic electrical loads and full data logging capability.

A ground source heat pump laboratory that includes two vertical and one horizontal ground sources (with buried pipes and distributed temperature sensors) will be designed. The laboratory will include four heat pumps each configurable with the ground sources, dynamic thermal loads, and full data logging capability.

Proton exchange membrane fuel cells, a photovoltaic system for performing electrolysis of water to produce hydrogen and oxygen, facilities for storing hydrogen and oxygen, dynamic electrical loads and data logging capability will be included in a fuel-cell laboratory.

Computers, at each student station, video, and telephone conferencing capability will be part of the features available in a multi-media classroom. The classroom will also be Internet and LAN (OREC) wired.

To design and produce professional quality training materials we will include a multimedia and distance learning development laboratory with video, still and audio mixing and editing capability. The laboratory will have computer animation, DVD and CD-ROM creation and computer-based-training development capability. The laboratory will be staffed with instructional development professionals to aid renewable energy content specialists to create high quality training material.

Administrative support facilities will include office space, scanning, faxing, copying, office storage, mail drops, technical document support and a renewable energy library. Office space will also be included for the directors of the Geoheat Center, Photovoltaic Center, Energy Technologies Center (ground-source, fuel cell and wind), and various research associates. Office cubicles will be included for student research assistants. An OREC dedicated web page to be used for disseminating technical reports and web based training courses will also be included.

After the initial functional planning and development are completed we will request bids for architectural plans, suitable for remodeling construction of Cornett Hall.

OREC Promotion and Capital Funding Planning

Travel is required to present the OREC plan to potential customers (contract training), foundations, government agencies, public and private utilities and others in order to secure funding for capital construction, equipment, staffing and operations. Operational expenses include telephone, printing, initial secretarial support staffing, and other costs incurred during planning phase of the project.

Cooperative arrangements with industry and sister institutions for joint research projects will be explored, and grant writing and contract negotiations will be started to obtain funding for implementing the plan. We will expand our public relations outreach and alternative energy technical assistance and information dissemination activities, and incorporate OIT faculty and students, working on various research and engineering projects into OREC activity.

Oregon Institute of Technology Home of the Oregon Renewable Energy Center

Oregon Institute of Technology has been the home of the internationally acclaimed Geo-Heat Center for 25 years, providing geothermal applied research, technical assistance and information dissemination to encourage development and use of renewable energy. It is presently under the directorship of John Lund, Ph.D. (CE, PE). We expect OREC to gain the same international acclaim that the Geo-Heat Center now enjoys, only on an expanded level that includes photovoltaic, ground-source heat pump, fuel-cell, and wind power systems.

OIT has long been noted for its ability to graduate highly educated and technically skilled individuals taught by a faculty who have a real-world market place orientation. OREC will incorporate faculty experience and the energy of OIT students in renewable energy applied research and systems engineering activity.

The new photovoltaic activity will apply solar technology at a system level. We will study the interaction of the various components of photovoltaic power production with the primary purpose of determining efficient and cost-effective means of satisfying the electrical energy needs of a typical home, agriculture operation or industrial operation. We will form partnerships with industry and selected universities to do testing and evaluation of newly developed high-output solar panels in real-world conditions.

Brad O'Mara, Ph.D. (EE), University of New South Wales, Sydney, Australia, internationally known in solar research, design and product development, will head the new initiative in photovoltaic power. He has developed 45 new photovoltaic consumer products, power converters and instruments and has pioneered new markets for photovoltaic technologies representing sales in excess of $50M (U.S.). He led a $64M (Australian) photovoltaic commercialization effort for Pacific Power TDY Ltd. in Sydney, Australia, resulting in a product that produced low distortion AC power directly from solar radiation. Dr. O'Mara did his undergraduate work (BSEET, 1981) at Oregon Institute of Technology.

We plan to expand our existing efforts in ground-source heat pump systems and add fuel cell and wind systems engineering and applied research to the renewable energy menu. We will combine solar power work with ground-source heat pump systems design providing both space heating and electrical power generation. Mechanical Engineering Technology Professor Robert Rogers has extensive experience in energy systems and has designed and built ground source heat exchange systems at OIT.

In addition to renewable energy applied research and energy systems engineering, OREC will engage in energy systems education (degree programs), industry training courses, information dissemination, public relations and outreach, and renewable energy concept marketing activities.

The time is right to establish the Oregon Renewable Energy Center. We have the right combination of talent, desire and vision to make the Center into a viable reality.

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

May 29, 2001

In reply refer to: KR-7C

The Honorable Max Baucus
United States Senate
Washington, DC 20510

Dear Senator Baucus:

I am responding to your letter of April 27, 2001, expressing your concerns about Bonneville Power Administration (BPA) service to Flathead Electric Cooperative (Flathead) for the Plum Creek medium density fiberboard (MDF) plant. Specifically, you are concerned that BPA's designation of the MDF plant as a New Large Single Load (NLSL) will result in increased prices to Flathead for the power it purchases from BPA.

I want to emphasize one key point. The designation of the MDF plant as an NLSL would have no affect on the cost of BPA power to Flathead Electric for the next five years. Unless Flathead chooses to change its retail ratemaking practices to charge Plum Creek a higher rate, the NLSL designation will have no affect on Plum Creek's cost of power for the next five years (2002-2006).

By way of background, when Flathead took over PacifiCorp's service area in 1998, it increased its load by 120 average megawatts (aMW) and placed approximately 35 aMW of that additional load on BPA. At the time, Flathead did not notify BPA of the size of the MDF plant load, which was included in the 35 aMW. Now, three years later, we are faced with the problem of whether part of that load should be classified as a NLSL.

The Northwest Power Act defines an NLSL as one that came onto the utility after September 1, 1979, and is 10 megawatts (MW) or greater in size. The MDF load is a former PacifiCorp load and was not being served by Federal power from BPA in 1979. BPA's policy and interpretation of the Act reduces the need for costly additions to the Federal base system, protecting all BPA public utility customers from higher rates for Priority Firm power. We have told Flathead that the MDF plant appears to fit the definition of a "new" load, although Flathead is not increasing its net requirements on BPA. BPA will make a final determination on this issue soon. Whatever we determine for Plum Creek and Flathead will probably set a strong precedent for other utilities which might seek to avoid NLSL rates implications.

Account Executive C.T. Beede and BPA Power Business Line executives have met with Plum Creek managers and attorneys and described the impact on Flathead of an NLSL determination.

In particular, they explained that even if MDF is designated as an NLSL, it will not increase the total price that Flathead pays for its power purchases from BPA in the next rate period. This is because Flathead, in addition to its power supply from BPA, has a non-Federal supply from PacifiCorp for the next five years that exceeds the size of the MDF facility. Flathead could designate part of the PacifiCorp contract as serving the MDF load; and, as long as it does not redesign its rates to MDF, Plum Creek's rate should not be affected by an NLSL determination for the next five years.

BPA staff have also suggested ways that Plum Creek could totally avoid any future negative impacts after 2006 due to the NLSL determination by installing cogeneration, which Plum Creek currently has under consideration. While Flathead's total price for power may be impacted by an NLSL determination after 2006, the price could actually decrease. This is because Flathead will be able to replace the PacifiCorp purchase with a lower-cost purchase from BPA that combines our Priority Firm rate and our New Resources rate. Our Washington, D.C., staff would welcome the opportunity to meet with your staff to discuss these options.

I understand the deep concern that you and your constituents have about the future of the Plum Creek facility and its impact on the local economy. Businesses everywhere are being hit by the exceedingly high wholesale power prices, which their utilities are trying to manage. We are working hard with Flathead and all of our customers to mitigate the impact of the West Coast power crisis on the Northwest economy.

I am hopeful that the discussions we have with you and your staff will help clarify the situation and that, working with Flathead and MDF, we can reach a satisfactory solution. If you have other questions, please contact me.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

CONRAD BURNS
MONTANA

COMMITTEES:
APPROPRIATIONS
COMMERCE, SCIENCE, AND TRANSPORTATION
ENERGY AND NATURAL RESOURCES
SMALL BUSINESS
SPECIAL COMMITTEE ON AGING

United States Senate

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RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 01-0192
RECEIPT DATE:
4.30.01
DUE DATE:
5.14.01

April 27, 2001

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

Dear Stephen:

We write to express our concern about BPA policies that would significantly impact the Northwest Montana economy. As you may recall, after Montana restructured electric utility service, PacifiCorp chose to sell their electric utility service in Western Montana. Fortunately, Flathead Electric Cooperative was willing to purchase the utility assets from PacifiCorp to continue providing service to the 36,000 affected customers. The Montana Public Service Commission (MPSC) approved the transfer of service territories upon representations that there would be no negative impacts, including rate impacts, and decreed that "no former PacifiCorp customers should experience a rate increase not explicitly provided for" under Montana law.

It has recently come to our attention that now, two and one-half years later, BPA is considering whether the transfer of service territories may be grounds for BPA substantially to increase the prices it charges to sell power to Flathead Electric Cooperative. In particular, BPA is considering whether large loads, over ten megawatts, should lose the protection they previously enjoyed while served by PacifiCorp from being characterized as "New Large Single Loads" under the Pacific Northwest Electric Power Planning and Conservation Act ("Northwest Power Act"), and thus become subject to much higher "new resource" rates charged by BPA.

We are gravely concerned that such an action by BPA is counter to the provisions and intent of the Northwest Power Act, and would have severe consequences for employers and residents in the Flathead. While BPA is understandably concerned about the present energy markets in the Pacific Northwest and its costs to serve the Northwest's customers, the Northwest Power Act expressly exempted loads "contracted for, or committed to" prior to September 1, 1979 from New Large Single Load Status. Also, we understand that BPA has, in the past, had concerns about "load pirating" and industrial loads changing utility suppliers so as to gain favorable BPA rates. However, under the unique circumstances in which PacifiCorp voluntarily transferred its entire Montana utility business to Flathead as its successor in interest, nothing in the Act or its legislative history compels BPA to determine that a longstanding customer is no longer "contracted for" within the meaning of the exemption from New Large Single Load Status. Nor does BPA's financial situation require such an aggressive determination, since the Western Montana loads at issue are only a small portion of BPA's portfolio.

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, L-7, P-6, T/Ditt2, GKuntz-KR/MSGL

These electricity loads are hugely important to the citizens of Western Montana. BPA's interpretation threatens grave hardship on these citizens, many of whom depend upon low-cost power from Flathead Electric Cooperative. In particular, Plum Creek's Medium Density Fiberboard facility, in service and a PacifiCorp customer, well before September 1, 1979, employs 200 people in a rural and economically-disadvantaged area of Montana, and generates indirect employment and other economic benefits for many more. Moreover the facility purchases and utilizes wood byproducts from other Western Montana mills for which there is no other market. These materials would otherwise go to waste and would be costly to dispose of, further weakening an already suffering sawmill industry.

If BPA were suddenly to determine that Plum Creek's facility were now a New Large Single Load, the resulting rate increase to Flathead Electric may force Plum Creek to reduce operations or even close the facility, according to public statements by company officials. Such a result would be especially unfair given that other customers, with adequate notice of potential New Large Single Load issues, have had an opportunity to phase in their load so that the load does not increase by more than ten megawatts in any twelve month period, and thus avoid New Large Single Load Status without regard to their status as of September 1, 1979.

For all of these reasons, I urge BPA to treat Flathead Electric Cooperative as the legitimate successor in interest to PacifiCorp's Montana Operations, as it was treated under state law by the Montana Public Service Commission, such that all loads in Western Montana now served by Flathead, including Plum Creek, carry their "contracted for, or committed to" status forward as they stood when served by PacifiCorp. It would be unfair for BPA to put the burden of New Large Single Load status on Western Montana customers merely because their utility determined to abandon operations in Montana, and would be a matter of grave concern to us.

Sincerely,

Conrad Burns
United States Senator

Max Baucus
United States Senator

MONTANA'S UNITED STATES SENATORS

Max Baucus ❖ Conrad Burns

PRESS RELEASE

Baucus: Bill Lombardi 406-449-5480 Burns: Jon Lindgren 202-224-2644

Plum Creek Power Rates At Risk

Senators Call on BPA to Honor Flathead Electric Co-op Rate Commitments

WASHINGTON, D.C. — Montana Senators Conrad Burns and Max Baucus today urged Bonneville Power Administrator Stephen Wright to reconsider a BPA proposal, which would dramatically increase power rates for some large power users in western Montana. The action could force Plum Creek, which employs more than 200 people in its fiberboard facility, to significantly reduce or even shut down their operations.

At issue is a BPA proposal to reclassify entities, which use more than 10 megawatts of power each year as "New Large Single Loads." Under the Northwest Power Act this designation would allow the BPA to charge Plum Creek and other power users in this category significantly higher rates.

"This proposal couldn't come at a worse time for companies like Plum Creek," Burns said. "They're already struggling to survive and now they may be hit with exorbitant rate increases based on a reclassification that I don't believe is justified. This has the potential to cost hundreds of Montanan's their jobs with devastating consequences for families and communities in western Montana.

"The Flathead Valley has already been hit hard by the energy crisis," Baucus said. "The Columbia Falls Aluminum Company has temporarily shut down. Losing jobs at Plum Creek would be devastating and I believe unnecessary. Plum Creek has been an important part of Western Montana economy since 1979. There's no need for BPA to turn the tables on them now."

In making their request, Burns and Baucus stated the Northwest Power Act specifically exempts large power users from the "New Large Single Load" designation if they have been contracting with the same power supplier since before September 1, 1979. Plum Creek legally meets this standard since its supplier, Flathead Electric Cooperative, assumed responsibility of PacifiCorp's contracts and 36,000 customers in the Flathead Valley when the company pulled out of the state following deregulation.

"I don't believe this reclassification meets the spirit or legal letter of the agreement reached under the Northwest Power Act," Burns said. "The impact this decision would have on the economy of western Montana is unacceptable. Stephen Wright has been a very capable BPA administrator and I am confident and optimistic he will decide this is not the right course of action for BPA to take."

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Editor's Note: Attached is the two-page letter to BPA Administrator Wright.

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

March 8, 2001

In reply refer to: KR-7C

The Honorable Max Baucus
United States Senate
Washington, DC 20510

Dear Senator Baucus:

This is in response to your letter of February 9, 2001, asking about the Bonneville Power Administration's (BPA) plans to address the shortage of electricity supply and the high prices for power in the Pacific Northwest. I appreciate the time you took to meet with me last month in Washington, D.C. Your thoughts about the energy crisis were insightful and your continued support of BPA is extremely helpful during these tough times.

As we discussed at our last meeting, the Pacific Northwest is in the midst of an energy crisis. Demand for energy has outstripped supply, creating unprecedented high wholesale market prices for electricity. To make matters worse, the region is experiencing a drought. Reservoirs are at 54 percent of average and hydroelectric generation is lower than planned. With Pacific Northwest utilities as well as California buying electricity in the wholesale market to meet their loads, the price for electricity has skyrocketed.

The deficit situation will continue after October 1st of this year, when new BPA power rates and contracts become effective. At that time, BPA's contractual load commitments will increase by 3000 average megawatts (aMW.) If wholesale electricity prices remain high and load commitments are not reduced, BPA will have to adjust its rates, and they could more than double.

BPA is very sensitive to the effect that a rate increase of this size will have on the Pacific Northwest economy, particularly in rural areas where there is less economic diversity. In order to minimize the impact of the energy crisis, my principal goal has been to reduce the size of this potential rate increase. At the same time, BPA must preserve a high probability of meeting its financial obligations to the U.S. Treasury and others. As you suggest in your letter, this will demand creative solutions.

BPA has looked at all options and has taken several actions to minimize the potential rate increase. First, BPA has proposed a settlement of its current rate case. The settlement is based on a customer proposal and an agreement between BPA staff, most of the agency's utility customers, and the four Northwest state utility commissions. It allows BPA to adjust its rates every six months to include actual costs of market purchases. If the amount of power BPA purchases is less than expected and if the price for power on the market decreases, customers will see a rate reduction.

Second, we are seeking reductions in electricity use through voluntary load curtailment, demand exchange, and conservation programs. For the period from now until October 1, 2001, BPA has purchased about 1000 aMW of reductions in energy use from our energy-intensive customers. We are seeking additional reductions in energy use by retail customers of BPA's utility customers. For instance, BPA staff is working with Flathead Electric Cooperative and Mission Valley Electric Cooperative to buy

down irrigation loads this season. We have offered our conservation and renewable energy incentive programs earlier than planned, and are developing additional incentive programs and demand exchange opportunities in the region. Third, we are pursuing favorably priced power purchases to cover our remaining load obligations. Fourth, our goal is to end this fiscal year with cash reserves in excess of $300 million. This latter is important both as a matter of fiscal responsibility and because reserves below this level could trigger higher rates.

Reducing BPA's potential rate increase is the best way to protect rural businesses in the region. Keep in mind, also, that a number of rural electric cooperatives have some protection from the potential rate increase through pre-subscription power purchases that BPA offered all its customers in 1997 and 1998. The purpose of the pre-subscription offer was to ensure a stream of revenue for the agency beyond October 1, 2001, when most of BPA's power contracts expire. Most of BPA's cooperative customers in Montana executed pre-subscription contracts for most or all of their electricity requirements. These pre-subscription contracts also are the instruments that distribute Hungry Horse Reservation power among our Montana customers. Pre-subscription contracts are not subject to a rate increase on October 1, 2001.

You ask about BPA's annual payment to the U.S. Treasury. While BPA is authorized to defer Treasury payments in circumstances where the funds are unavailable, delaying BPA's payment to the Treasury, in my opinion, should be an option of last resort. As you know, interests from outside the Northwest believe that BPA customers are subsidized by the U.S. taxpayer, and would like to repeal BPA's mandate to sell power at cost-based rates and to implement regional preference. A delay in making our annual Treasury payment would intensify the subsidy arguments.

The region is eligible, under an agreement with Treasury, to claim credits on BPA's annual Treasury payments for salmon recovery costs under certain circumstances. This year's drought will increase the cost of salmon recovery efforts on the Federal hydro system. The increase will also affect the taxpayer obligation for salmon recovery costs. Under section 4(h)(10)(C) of the Northwest Power Act, BPA ratepayers are credited for fish recovery costs that BPA funds but that are the responsibility of the U.S. taxpayer. Depending upon the extent to which the hydro system is operated for fish, the credit owed BPA ratepayers this year could equal the amount of BPA's annual Treasury payment. In addition, BPA ratepayers are eligible to tap into the Fish Cost Contingency Fund credits at the U.S. Treasury. These credits are equal to the taxpayer obligation for salmon recovery measures performed and paid for by ratepayers prior to 1996. The region is eligible to claim those credits under extraordinary circumstances, one of which is extreme water conditions.

Another option to help the region through the energy crisis is to balance the uses of the Federal hydro system during the drought. BPA and the other Federal agencies involved in operating the Federal hydro system have jointly developed principles for managing the system, including the most appropriate balance for the multiple uses of the system under emergency conditions. BPA is collaborating on the principles with the U.S. Army Corps of Engineers, Bureau of Reclamation, National Marine Fisheries Service, U.S. Fish and Wildlife Service and the Environmental Protection Agency. We are also seeking the input of regional stakeholders.

Long-term, the region must build new generation and transmission in order to alleviate the energy supply shortage. BPA is working with developers and the states to expedite the siting, construction and integration of new power plants. BPA's Transmission Business Line has received requests to integrate more than 14,000 megawatts of new generating capacity that would be sited in the Northwest. While not

all of this generating capacity will come on line, BPA expects to integrate a significant amount of new generation. This will require increased investments in BPA's transmission system. In Montana, we are looking at the potential addition of the Silverbow generation project, which may result in the need to build a Libby-Bell transmission line.

You ask about installing new technologies to boost transmission capacity. Historically, BPA has taken a number of steps to maximize the capacity and reliability of the existing system. We have tried to optimize the use of existing transmission lines by installing control schemes on the system. These rapidly adjust generation and load for low probability outages while allowing higher transfers during normal conditions. BPA has already included many of these schemes throughout the system. BPA has also installed Static Var Compensators in both the Portland and Seattle areas, with good results. We continue to investigate other options and monitor the testing that other utilities are doing with an eye toward maximizing our use of existing transmission corridors.

The actions that BPA is taking to reduce the economic impact of the energy crisis on the region are not without controversy or complexity. Your support and the support of the NW delegation towards carrying out these actions in the best way possible for the region would be extremely helpful. We also ask for your support at the Federal level to expedite licensing, siting, and construction of new generation consistent with existing environmental requirements to help address the energy shortage.

In addition, if BPA were to pursue all of the projects identified to help address the West Coast energy crisis as well as make needed transmission system improvements, we might need additional authority to borrow from the U.S. Treasury. We are analyzing this need and will keep you informed if we determine that additional authority is needed. Finally, I believe that cost-based rates and the Northwest's priority right to BPA power are important to the health of the Northwest economy, and I ask for your continued support of these mandates.

Thank you for your letter. Your support and leadership in this challenging time are essential, and I am grateful. I look forward to working with you and the other members of the Northwest congressional delegation to find the best solutions to support the region.

My staff will contact your staff to provide details of the actions I've described here. If you have further questions, please do not hesitate to contact me.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

MAX BAUCUS
MONTANA

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RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 2001.0054
RECEIPT DATE:
2.9.01
DUE DATE:
2.23.01

February 9, 2001

Mr. Steve Wright
Acting Administrator
Bonneville Power Administration
905 NE 11th Avenue
PO Box 3621
Portland, Oregon 97232-3621

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, KR-7, DMahar-KC-7, EMosey-KC-7, GKuntz-KR/MSGL, P-6, T/Ditt2

Dear Steve:

I would like to thank you for coming to my office to discuss the important energy challenges facing the Northwest and the Bonneville Power Administration in the coming years. I would like to ask you some follow-up questions that I did not have time to put to you during the meeting yesterday.

First, what will, or what can, BPA do to protect rural businesses? Cities like Seattle can absorb the loss of a large business that is forced to shut down because of a lack of affordable power. Rural Montana towns cannot. The shut-down would destroy their economy.

Second, I know that this will be a dry year. I know you over-subscribed your available power. I know that you feel you must make up the difference on the open market, and make your payments to Treasury. What are the alternatives to an across-the-board rate hike of the magnitude contemplated by BPA? What would happen if BPA delayed its payments to Treasury?

Finally, I would like BPA to develop a creative strategy on how it will deal with the drought and the power crunch that is already here, and which will be coming this summer. Northwest consumers and businesses need BPA's help to weather this crisis over the short-term.

I would also like to reiterate Senator Wyden's and my request for a report on ways BPA can use current transmission corridors to boost power transmission throughout the region with new technologies.

Any additional suggestions BPA may have on how myself or members of the Northwest delegation can help BPA protect Northwest consumers and businesses would be welcome.

I would appreciate a response as soon as your office is able, preferably within the month. Thank you for your assistance in this important matter. I look forward to hearing from you.

With best personal regards, I am

Sincerely,

Max Baucus

MSB/klb

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Official File

EXECUTIVE OFFICE

JUN 0 6 2001

In reply refer to: KR-7C

The Honorable Peter DeFazio
U.S. House of Representatives
Washington, DC 20515

Dear Representative DeFazio:

I am writing in response to your May 1, 2001, letter expressing reservations over proposed directions for a regional transmission organization (RTO) for the Northwest (RTO West). I appreciate your heightened interest in this issue. I want to take this opportunity to address your concerns and clarify Bonneville Power Administration's (BPA) position on issues expressed in your letter. I also want to assure you that BPA will increase our efforts to address your concerns and involve you directly in the ongoing development of the RTO West proposal.

As you noted, BPA has actively participated with investor-owned utilities, publicly owned utilities, tribes, the Northwest states and other stakeholders to develop the RTO West proposal. Our goal has been to encourage broad stakeholder participation in the development of the RTO West proposal through an open and frank discussion of the issues. Stakeholder participation to date has made a critical difference in creating a consensus-based proposal. Further, BPA supplemented this stakeholder involvement with a separate outreach program to our customers, states, tribes, interest groups, and political leaders to inform them of the RTO West proposal and seek input on their concerns.

In your letter, you raise concerns on several issues of the RTO West proposal. One of your overarching concerns is the need for a more thorough inclusion of the views of the Northwest congressional delegation and elected and regulatory officials at the state level on the RTO West proposal. BPA remains committed to a collaborative process that allows sufficient time for public debate to ensure that the RTO West proposal provides demonstrable benefits to regional consumers. We agree that "it is better to err on the side of caution than to rush ahead and suffer the consequences of an ill-conceived plan later." California's move to restructure has provided the Northwest with an invaluable lesson on how to approach changes in industry structure.

BPA and the other RTO West filing utilities will increase our efforts to work with the Northwest congressional delegation, and elected and regulatory officials at the state level, on development of the RTO West proposal. We will seek input on a schedule for addressing remaining issues, holding congressional hearings and filing further RTO West proposals with the Federal Energy Regulatory Commission (FERC). We will also seek input on a proposal to test assumptions made during further development of the proposal. It is not our goal, nor that of the other filing

utilities, to compress the development timeframe in a manner that denies stakeholders a meaningful opportunity to participate in this process.

BPA does not support creating a West-wide RTO at this time. We agree that discussing the creation of a single RTO for the western region is premature. The NW should be allowed to address the needs of the region and focus on creating seamless, west-coast markets as a priority.

Regarding your concern about the evaluation of benefits and costs of an RTO for the region, we agree that further analysis is desirable. While FERC does not require a cost-benefit analysis, RTO West filing utilities intend to perform further analysis. As you know, BPA participated in an initial analysis of potential costs and benefits of an RTO. While that work generated considerable debate about the assumptions used, the costs appeared to be supportable by the benefits even under conservative assumptions. Nevertheless, BPA and the filing utilities understand the need to re-evaluate and refine the cost and benefit estimates of the RTO West proposal. We continue to believe that improved reliability from a single control area operator of a multi-owner, interstate grid is one of the strongest benefits of an RTO. This should reduce the potentially catastrophic expenses that widespread power outages could cause. It should also reduce the response time needed to restore service after an outage.

BPA and the filing utilities are discussing the necessary components of additional analysis, such as scope, data, and study parameters, and are considering the use of an independent consultant with appropriate expertise in this area in order to obtain a credible analysis. We also plan to involve the stakeholders in development of the study scope and parameters.

You raise concerns regarding reliance on a market-driven mechanism for expansion of the transmission system. Under the proposal, RTO West will have the authority to plan for expansion of the RTO West system. If the local transmission owner does not construct necessary transmission needed to keep the lights on, RTO West will have the ability to ensure needed transmission upgrades, expansion or other measures to assure regional reliability and management of load-service problems. While the Stage 1 filing contemplated market-driven expansion to relieve congestion, the Stage 2 filing will reflect direction from FERC who, in response to another RTO filing, stated that "Reliance solely on private decisions may result in less than optimal expansions of transmission capacity." Where reliability, load service obligations or chronic congestion are anticipated, the RTO should be able to foresee problems and manage those issues before they become critical. BPA remains committed to an RTO with this comprehensive regional planning function. Since this issue is still evolving, we commit to keeping you informed as to our progress.

As you note, the BPA transmission system is currently constrained. Waiting for an RTO to fix those constraints is unacceptable. BPA plans to alleviate constraints on its system to maintain and increase reliability of the grid in the face of the evolving needs. Removing existing constraints is the best way to ensure the RTO can effectively manage the transmission grid on day one of its operation. We ask for your support for these activities.

Ensuring adequate firm transmission rights (FTRs) to meet the load serving commitment of current contracts is an essential component of the RTO West proposal. Under the Transmission Operating Agreement, participating transmission owners (PTOs) will be allocated sufficient FTRs to enable them to fulfill these contractual commitments, which frequently include considerable load growth. The commitments include those of BPA to its customers. The RTO will auction only those FTRs not needed to serve these commitments.

As you note, fair and equitable pricing of services when transmission is congested is an important issue. BPA and the other filing utilities share concerns raised by you and other Northwest delegation members, and have spent the last two months focusing exclusively on congestion pricing. We have developed proposals for protecting the consumer from market gaming. We plan to thoroughly test our models prior to implementation to identify any unintended consequences from their interaction and make sure they do not give rise to gaming opportunities. The RTO West proposal also includes a Market Monitoring Unit, which will be charged with detecting and reporting abuses in congestion management and ancillary services.

In conclusion, let me assure you that BPA is committed to working with you and the region to design an RTO proposal that meets the region's needs and provides demonstrable benefits for the region. I continue to believe that a regional RTO, if established correctly, can provide those benefits. In order to do that, we need your input and the input of the regional stakeholders. Your thoughts and concerns as we proceed are particularly important as we develop a proposal which will work for the entire region. My staff will contact your office in the next week to discuss a plan to seek your further input as we continue to work on the RTO West proposal. I look forward to your continued involvement.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

IDENTICAL LETTERS SENT TO THE FOLLOWING MEMBERS

The Honorable Norm Dicks
U.S. House of Representatives
Washington, DC 20515

The Honorable Patty Murray
U.S. House of Representatives
Washington, DC 20515

The Honorable Rick Larsen
U.S. House of Representatives
Washington, DC 20515

The Honorable Adam Smith
U.S. House of Representatives
Washington, DC 20515

The Honorable Brian Baird
U.S. House of Representatives
Washington, DC 20515

The Honorable Jay Inslee
U.S. House of Representatives
Washington, DC 20515

The Honorable Earl Blumenauer
U.S. House of Representatives
Washington, DC 20515

Congress of the United States

Washington, DC 20515

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 01.0194
RECEIPT DATE:
5.1.01
DUE DATE:
5.15.01

May 1, 2001

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

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, T/Ditt2, TM/Ditt2, L-7, KC-7 (Mahar), KC-7 (Mosey), DF-2

Dear Steve:

While we understand the Bonneville Power Administration's (BPA) is preoccupied with the unprecedented energy crises engulfing our region, we are concerned a proposal that could have equally dire consequences for the Northwest -- the establishment of a regional transmission organization (RTO) -- is not receiving the attention it requires.

As you know, the Federal Energy Regulatory Commission (FERC) issued a final rule, Order 2000, on December 15, 1999. Order 2000 laid out the minimum characteristics and functions of RTOs. In response, BPA, investor-owned utilities, public power, and other stakeholders have been negotiating the creation of RTO West.

While we don't dismiss the RTO concept out-of-hand, we have strong reservations about the direction the RTO West proposal appears to be heading. Recognition of the potential benefits of the broad RTO concept is one thing, but support for the details that would actually put RTO West into real-world operation are entirely different and deserve the strictest scrutiny. The adage "first, do no harm" seems a particularly apt expression of our concerns.

We understand RTO West made an initial filing with FERC in October of 2000. A second filing is scheduled for early this summer. However, many of the key issues, such as transmission construction authority and pricing mechanisms, which will determine whether RTO West will operate in practice as it appears on paper, have not been fully reviewed and understood. We are concerned this compressed time frame does not allow a thorough consideration of these complicated issues.

While we applaud casting a wide net for participation through numerous working groups, forums, and discussions held by RTO West stakeholders, the reality is these events have primarily been for insiders. The public, media, and many elected officials remain largely uninformed about the potential pitfalls and benefits of RTO West.

PRINTED ON RECYCLED PAPER

We recognize the timeline for filings and creation of RTOs is mandated to some degree by Order 2000, however, we believe the complexity of the issues involved means it is better to err on the side of caution than to rush ahead and suffer the consequences of an ill-conceived plan later. The botched California deregulation should serve as a red flag.

We would urge RTO West to delay a final filing until the proposal has been much more thoroughly debated by all concerned parties in the Northwest. There should be adequate time for public comment, including regional and congressional hearings. A delay makes even more sense given the continuing volatility in Western energy markets. Implementing an RTO in such a destabilizing environment greatly increases the chances for unforeseen consequences.

This destabilizing environment is also why we share the concerns of the stakeholders who recently testified against creating a Western-wide RTO at a FERC hearing in Boise, Idaho. It is, at best, premature to discuss the inclusion of California and other Western states into a single RTO.

We are also concerned that we have yet to see a bottom line evaluation of the cost and benefits to BPA customers and residential ratepayers from RTO West. Who bears the risk under RTO West? In briefings, we have been informed that RTO West will likely have quantifiable up-front, but theoretically short-term, costs. In addition, there will be an annual expense for maintaining the RTO West infrastructure. However, the "savings" from moving to an RTO are vague and often unquantifiable. It is our understanding there are a number of parties who consider the initial attempt at generating a cost-benefit analysis to have vastly overstated potential benefits and understated costs.

We were disturbed to read in a December 2000 filing with FERC (Docket No. RT01-35-000) that BPA and the other filing utilities dismissed the need for a cost-benefit analysis for RTO West at that time ("A cost-benefit analysis is not necessary or appropriate in this docket").

Given the Northwest's historically reliable, low-cost, and relatively open transmission system, we believe a thorough and credible cost-benefit analysis must be completed before radically revamping the current system. While it is true that FERC found a net cost savings nationally from moving to RTOs, FERC's analysis in Order 2000 was not broken down far enough to determine the net impact on the Northwest. In fact, it is reasonable to conclude from FERC's analysis that consumers in California and Canada would benefit while consumers in the Northwest would lose.

We respectfully submit that you need to act on another sentence in your December filing, "Analysis of particular costs or benefits may be appropriate at another time or in other forums." The time is now.

Enron, Morgan-Stanley or other entities with zero commitment to maintaining an efficient, low-cost, and reliable electricity system in the Northwest to purchase FTRs. There is every indication this would lead to prices for transmission that seem beyond the realm of possibility today.

Similarly, because there would be no requirement to sell within the Northwest, and no export charges, we believe there will be strong incentives to transmit power out of our region, where it would likely produce higher prices and profits. Clearly, that would be a step backwards.

The parallels between what RTO West is doing on transmission and what California did on electricity deregulation are troubling: the speed and lack of public comment on the proposal, depending on price signals to build, and the multiple opportunities to manipulate the market. We urge you to give these careful thought.

We appreciate your consideration of our strong reservations and concerns as you continue to participate in the RTO West negotiations. Please keep us informed of any RTO West-related developments.

Sincerely,

PETER DeFAZIO
Member of Congress

PATTY MURRAY
United States Senator

NORM DICKS
Member of Congress

ADAM SMITH
Member of Congress

RICK LARSEN
Member of Congress

BRIAN BAIRD
Member of Congress

cc: RTO West stakeholders

JAY INSLEE
Member of Congress

EARL BLUMENAUER
Member of Congress

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

June 13, 2001

In reply refer to: KR-7C

The Honorable Larry E. Craig
United States Senate
Washington, DC 20510

Dear Senator Craig:

Thank you for your letter of April 26, 2001, offering to help with Bonneville Power Administration's (BPA) efforts to reduce the size of our rate increase that will go into effect on October 1, 2001. As you requested, I am writing to give you an update on our progress to date.

Since I first announced the size of the expected rate increase, a number of events have occurred. First, on May 23, 2001, BPA released a Draft Record of Decision on a supplemental phase of BPA's fiscal year (FY) 2002-2006 power rate case. As you may remember, a partial settlement was reached between a majority of BPA's customers, the four Northwest state utility commissions and BPA staff. BPA's draft decision is significant because it signals the final stages of the rate case that has been ongoing for over three years. It also describes the Administrator's preliminary decision on a number of issues in the supplemental rate case that provide BPA with the needed flexibility to manage through the volatile wholesale power market.

On April 9, I called on the region to help reduce the size of the expected rate increase by reducing load. If BPA's customers could reduce load by 2,400 average megawatts (aMW), the rate increase could be below 100 percent. BPA staff and customers have conducted intense negotiations toward this end.

We set a goal of a rate increase of less than 100 percent. We also set target load reductions for the 3 major customer classes: 1,200 aMW for the direct-service industry (DSI) customers, and a 10 percent reduction of the expected purchases for the investor-owned utilities (IOU) and the public utilities (100 aMW and 600 aMW, respectively). We wanted these reductions to be at a very low cost—$20 per megawatthour or less.

On June 6, BPA announced our progress to date on the load reduction effort and presented the first estimate of the rate increase that would be in effect given load reductions to date. As you can see from the enclosed materials, at that time we announced that BPA has purchased about 901 aMW from the DSIs, 25 aMW from the IOUs, and 68 aMW from public utilities under the load reduction effort. As shown on a separate page, PacifiCorp has agreed to a 5-year settlement which relieves BPA of the need to buy 226 aMW next year. For purposes of this calculation, we assumed that an

additional 240 aMW of Kaiser Corporation load would be off-line as of October 1, 2001. This was because the rate increase was assumed to be too high for Kaiser to operate profitably.

Given these load reduction assumptions, BPA announced on June 6 that the rate increase would still be over 150 percent. Since then, BPA has negotiated additional load reductions of with several of our public utility customers.

Many of the load reduction agreements we have signed with our customers so far contain a contingency clause. To meet these contingencies, more customer load reductions are still needed. Customers have until June 22 to sign additional load reduction agreements. Under the stipulated agreement contained in our draft rate case decision, the final rates for the period of October 1, 2001, through March 31, 2002, will be announced on June 29.

As you can see, we still have work to do. But I am encouraged by our progress so far. With another 1,200 aMW of load reduction, we can actually keep the rate increase to below 75 percent. I am impressed by the customers who have come forward so far and their willingness to help the region during this difficult time.

I am cautiously optimistic that we will bring this rate increase back down to earth, thanks in part to your steadfast support. I would appreciate your continuing encouragement to utilities to make their load reduction commitments by June 22. If you have other questions, please contact me directly or contact our Washington, D.C., office, at (202) 540-5640. Thank you for your letter.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

Enclosure

IDENTICAL LETTERS SENT TO THE FOLLOWING MEMBERS

The Honorable Conrad Burns
United States Senate
Washington, DC 20510

The Honorable Gordon Smith
United States Senate
Washington, DC 20510

The Honorable Patty Murray
United States Senate
Washington, DC 20510

The Honorable Mike Crapo
United States Senate
Washington, DC 20510

The Honorable Max Baucus
United States Senate
Washington, DC 20510

United States Senate

WASHINGTON, DC 20510

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 01-0191
RECEIPT DATE:
4.30.01
DUE DATE:
5.14.01

April 26, 2001

Mr. Steve Wright
Acting Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, L-7, P-6, T/Ditt2, AMorrow-KR-7C, CCuster-KR/WSGL, JWilliams-KR/Boise, GKuntz-KR/MSGL

Dear Steve:

We are writing to support your efforts to minimize an increase in BPA's electricity rates for the next fiscal year. The unprecedented run-up in West Coast wholesale electricity prices combined with BPA's load serving obligations have created a situation where the agency could be forced to raise its wholesale electric rates by 200 to 300 percent next year. We abhor such an increase, and believe such a large increase would be devastating to the Northwest. Like you, we are working hard to come up with solutions that will prevent such an increase and appreciate the pro-active steps you are taking on this issue.

On April 9, you called on all of BPA's customers to contribute by reducing their demands for power during the first one to two years of the next five year rate period when wholesale power prices are expected to remain high. You indicated a willingness to purchase load reductions from industrial customers and work with the region's preference and investor-owned utilities to significantly reduce power demands on Bonneville. The essence of your argument is that all of BPA's customers must contribute to the solution if it is to be effective.

What you outlined this week is certainly strong medicine for the region. While we wish you didn't have to take such drastic steps, we understand that the strategy you have outlined – if successful – will reduce next year's rate increase to below 100 percent, with lower rates in the years following. While it is disheartening that the region will be forced to make significant sacrifices to achieve such a reduction, given the hard facts we face – and the lack of viable alternatives to your strategy – we feel the course you have outlined is reasonable.

We understand that you must put in place the agreements necessary to reduce the October 1 rate increase by the end of June. That leaves very little time to complete a demanding set of negotiations with your customers. Moreover, there is much work that needs to be done to put Bonneville on a more businesslike footing, allowing it to more efficiently put in place policies that will increase supply and better manage demand. We ask that you give us a progress report in about 30 days and describe any further steps you believe must

be taken to minimize BPA's pending rate increase, and to accomplish the aforementioned goals.

We know there are many difficult tasks at hand, and we know there will be those from outside the Pacific Northwest who will seek to take advantage of the crisis to harm Northwest consumers. We believe that if our Northwest delegation can rally together in these tough times, our region will be able to successfully handle the coming challenges.

Steve, thank you, again, for your service to the region and to the people we represent. We look forward to working with you on this very important issue, and hope that you will call on us whenever we can be of assistance.

Sincerely,

Larry E. Craig
United States Senator

Patty Murray
United States Senator

Conrad Burns
United States Senator

Max Baucus
United States Senator

Gordon Smith
United States Senator

Mike Crapo
United States Senator

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

June 26, 2001

In reply refer to: KR-7C

The Honorable Ron Wyden
United States Senate
Washington, DC 20510

Dear Senator Wyden:

Thank you for your letter of May 31, 2001, urging Bonneville Power Administration (BPA) to address specific issue in the curtailment agreements we are now negotiating with Northwest aluminum companies.

To date, we have negotiated continued curtailments of up to two years at four Northwest aluminum smelters: Alcoa Ferndale (Intalco); McCook Metals in Longview; Columbia Falls Aluminum Company (CFAC) in Kalispell, Montana; and Golden Northwest in Goldendale, Washington, and The Dalles, Oregon. In negotiating these agreements, BPA is keeping in mind the long-term economic needs of the Pacific Northwest. The aluminum industry has historically provided thousands of family wage jobs and economic stability to rural communities in the Pacific Northwest.

The curtailment agreements we have arranged will enable these smelters to keep their plants poised to operate when the price of electricity declines. They provide for sufficient funds to ensure that workers that would have been employed absent the curtailment of BPA power get full pay and benefits during the curtailments. Alcoa's agreement also provides for the plant communities to receive compensation for decreased tax revenues. This should help sustain the local economies through these difficult times.

Once the West Coast power supply comes back into balance, power prices should come down enough to allow smelters to operate profitably. Though there are no guarantees, indications are that this should happen in the next two years.

Consistent with your recommendation, we have included a six-month review of the curtailment arrangement in our agreement with Alcoa and CFAC. The agreement with McCook lasts only until June 2002. We will pursue such a provision in any additional direct-service industrial (DSI) agreements.

We are also encouraging our DSI customers to develop their own sources of power, so that they no longer have to rely on direct purchases from BPA to operate economically. Golden

Northwest, under its current curtailment agreement, will invest in new generating facilities or purchase of power from sources other than BPA. As you suggest, we are offering assistance to Golden Northwest in its resource development efforts. McCook is working with developers to build a 500-megawatt combustion turbine. BPA fully supports the DSIs' becoming energy self-sufficient by 2006.

I believe that these provisions will help to protect the viability of the aluminum industry and local economies and get the Northwest through this energy crisis. I look forward to working with you to find ways to continue providing for reliable electric service, a healthy Northwest economy and a cleaner environment.

Thank you for your letter.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

RON WYDEN
OREGON

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Washington, DC
20510–3703
(202) 224–5244

web site:
http://wyden.senate.gov/

United States Senate

WASHINGTON, DC 20510–3703

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 01.0267
RECEIPT DATE:
5.31.01
DUE DATE:
6.14.01

May 31, 2001

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

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, P-6, PT-5
PAT / BART

Dear Mr. Wright:

I am writing to urge you to address several issues in the agreements that are being reached between BPA and aluminum companies. I understand that these agreements are aimed at increasing energy supply for the region and lower rates while protecting aluminum and other jobs throughout the region.

I believe that there are three important elements that must be included in any new agreements reached with the companies. These elements include:

1. Each affected union should be consulted on the wage and benefit package before BPA releases money to any company. This will help ensure that aluminum workers are compensated on a fair and equal basis.

2. BPA should provide assistance to any aluminum company that commits to investing in alternative energy sources that include renewable resources and other environmentally sound energy generation. This will allow forward-thinking companies to survive short-term curtailments while simultaneously adding to the region's energy capacity.

3. Any curtailment period should be limited and in 6-month increments allow for reassessment of the ever-changing energy situation and ensure the aluminum industry's viability in the region.

Thank you for your prompt consideration of these recommendations.

Sincerely,

RON WYDEN
United States Senator

Committees:

Budget
Commerce, Science & Transportation
Energy & Natural Resources
Environment & Public Works
Select Committee on Intelligence
Special Committee on Aging

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Suite 450
Portland, OR 97232
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151 West 7th Ave
Suite 435
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Sac Annex Building
105 Fir St
Suite 201
La Grande, OR 97850
(541) 962–7691

U.S. Courthouse
310 West 6th St
Room 118
Medford, OR 97501
(541) 858–5122

The Jamison Building
131 NW Hawthorne Ave
Suite 107
Bend, OR 97701
(541) 330–9142

707 13th St, SE
Suite 285
Salem, OR 97301
(503) 589–4555

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Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Official File

EXECUTIVE OFFICE

JUN 26 2001

In reply refer to: KR-7C

The Honorable Patty Murray
United States Senate
Washington, DC 20510

Dear Senator Murray:

Thank you for your letter of June 1, 2001, urging Bonneville Power Administration (BPA) to address specific issue in the curtailment agreements we are now negotiating with Northwest aluminum companies.

To date, we have negotiated continued curtailments of up to two years at four Northwest aluminum smelters: Alcoa Ferndale (Intalco); McCook Metals in Longview; Columbia Falls Aluminum Company (CFAC) in Kalispell, Montana; and Golden Northwest in Goldendale, Washington, and The Dalles, Oregon. In negotiating these agreements, BPA is keeping in mind the long-term economic needs of the Pacific Northwest. The aluminum industry has historically provided thousands of family wage jobs and economic stability to rural communities in the Pacific Northwest.

The curtailment agreements we have arranged will enable these smelters to keep their plants poised to operate when the price of electricity declines. They provide for sufficient funds to ensure that workers that would have been employed absent the curtailment of BPA power get full pay and benefits during the curtailments. Alcoa's agreement also provides for the plant communities to receive compensation for decreased tax revenues. This should help sustain the local economies through these difficult times.

Once the West Coast power supply comes back into balance, power prices should come down enough to allow smelters to operate profitably. Though there are no guarantees, indications are that this should happen in the next two years.

Consistent with your recommendation, we have included a six-month review of the curtailment arrangement in our agreement with Alcoa and CFAC. The agreement with McCook lasts only until June 2002. We will pursue such a provision in any additional direct-service industrial (DSI) agreements.

We are also encouraging our DSI customers to develop their own sources of power, so that they no longer have to rely on direct purchases from BPA to operate economically. Golden

Northwest, under its current curtailment agreement, will invest in new generating facilities or purchase of power from sources other than BPA. As you suggest, we are offering assistance to Golden Northwest in its resource development efforts. McCook is working with developers to build a 500-megawatt combustion turbine. BPA fully supports the DSIs' becoming energy self-sufficient by 2006.

I believe that these provisions will help to protect the viability of the aluminum industry and local economies and get the Northwest through this energy crisis. I look forward to working with you to find ways to continue providing for reliable electric service, a healthy Northwest economy and a cleaner environment.

Thank you for your letter.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

PATTY MURRAY
WASHINGTON

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: Q-02774
RECEIPT DATE: 6.4.01
DUE DATE: 6.18.01

COMMITTEES:
APPROPRIATIONS
BUDGET
HEALTH, EDUCATION, LABOR AND PENSIONS
VETERANS' AFFAIRS

United States Senate

WASHINGTON, DC 20510–4704

June 1, 2001

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

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, P-6, PT-5

Dear Steve:

I have discussed with you previously the need to focus proceeds from the current re-marketing of power by aluminum companies toward compensation of workers. I believe this should also be true of the agreements BPA is reaching with aluminum companies on the buy-back of power during the next rate period. I am pleased to see this appears to be the case in agreements with Alcoa and Columbia Falls Aluminum Company.

I have also been pleased to see that the two agreements have called for a reassessment every six months as to whether the energy market conditions have changed enough to allow for a restart of aluminum production earlier than the two-year length of the agreements. The energy market is very volatile and this makes predicting stabilized, lower prices impossible. While it may indeed be two years or longer before prices are low enough to assure profitable production of aluminum, it makes sense to re-visit the issue every six months.

The workers are the people most affected by the plant closures and are the backbone of many aluminum plant communities. The workers are also the key asset to the restart of these plants during more favorable energy market times. . So, I appreciate your efforts to cover worker wages and benefits affected by the buy-back of BPA supplied power starting October 1 and the provision calling for reassessment every six months. I trust these two elements will remain central to your negotiations with other aluminum companies.

I am also aware you have worked closely with Golden Northwest and McCook Metals on their plans to develop new generation. I encourage you to continue to work with these companies and others who wish to construct some level of their own generation supply.

I appreciate your efforts in these matters.

Sincerely,

Patty Murray

Senator Patty Murray

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Internet: senator_murray@murray.senate.gov
worldwide web: http: //www.senate.gov/~murray/

PATTY MURRAY
WASHINGTON

Murray

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VETERANS' AFFAIRS

United States Senate

WASHINGTON, DC 20510–4704

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ADMINISTRATOR'S
OFC-LOG #: 01-0206
RECEIPT DATE:
5.7.01
DUE DATE:
INFO ONLY

May 3, 2001

Mr. Steve Wright
Administrator
U.S. Department of Energy Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208

INFO ONLY: KR-7C
cc: A-7, D-7, KN/Wash, P-6, PG-5, PN-1, CCuster-KR/WSGL
PAT/BART/SWEDO

Dear Mr. Wright:

Thank you for having participated in the energy roundtable discussion on Wednesday, April 18th. I greatly appreciate you having made the time despite your busy schedule. As we are all working to address the energy crisis I know time is even more precious than normal.

For the past several months, I have been meeting with people concerned about the energy crisis. Indeed, even those people who have met with me to discuss unrelated topics have come around to tell me how the crisis is impacting their lives at work, home and at play. My hope was that the roundtable would provide me and my staff a more complete picture of the issues we are facing and an idea of where agreement and disagreement existed.

My staff and I found the roundtable very beneficial and reassuring. I took comfort from the fact that all of those attending appeared to be communicating and working together to meet the challenges we face. Where there was disagreement there was also an understanding and appreciation of opposing views. This made me feel compromise and consensus was possible.

As we discussed, the energy crisis is as much an economic crisis which is impacting every resident of the state. The pain that our families and communities are feeling must be foremost in our minds. I am committed to working with you on these issues and look forward to your continued counsel and advice.

I also want to especially thank you for organizing such a successful Media event to promote conservation. Handing out free light bulbs was a wonderful idea.

Sincerely,

Patty Murray

Patty Murray
United States Senator

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worldwide web: http: //www.senate.gov/~murray/

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

June 29, 2001

In reply refer to: KR-7C

The Honorable Peter DeFazio
U.S. House of Representatives
Washington, DC 20515

Dear Representative DeFazio:

Thank you for your letter of June 8, 2001, expressing concerns about the Morgan Stanley purchase of transmission capacity on the AC Intertie from the Bonneville Power Administration (BPA). While I understand your concerns about the potential for market manipulation, our analysis found no persuasive evidence that Morgan Stanley is "hoarding" transmission capacity.

You ask several specific questions, which are answered below:

- What statutory or regulatory authority allowed Morgan Stanley to lock up all available BPA capacity for one year?

BPA's sale of AC Intertie firm transmission rights was made according to the terms of the Federal Energy Regulatory Commission (FERC) *pro forma* open access tariff, on which BPA's own transmission tariff is based. The FERC *pro forma* tariff is designed to provide free and open and equal access to transmission for all power suppliers. Under the tariff, transmission capacity is available on a first-come, first-served basis. Although BPA is not technically subject to FERC jurisdiction, since 1996 we have operated under an open access tariff and voluntarily complied with FERC Orders 888 and 889.

Morgan Stanley purchased 1,145 megawatts (MW) of capacity on the AC Intertie for the period March 2001 through February 2002 and 340 MW of capacity for the period March 2002 through February 2003. As a result, for the period March 2001 to February 2002 Morgan Stanley owns 31 percent of the full intertie capacity and 100 percent of BPA's portion. For the period March 2002 through February 2003, it owns 10 percent of the total capacity and 30 percent of BPA's portion.

A significant amount of AC Intertie capacity remains with other parties. In addition, Morgan Stanley has not purchased any capacity on the DC Intertie, which is an alternative route for south-to-north power transfers. With so much capacity in the hands of other purchasers, Morgan Stanley's ability to block transactions between California and the Northwest through withholding its share is limited.

- What, if any, conditions was BPA able to put on the sale of the capacity to Morgan Stanley?

The open access tariff does provide some restrictions on the use of transmission capacity. For example, as discussed below, the tariff includes a restriction on the price at which a purchaser can resell its capacity. Generally, however, a purchaser can decide on its own how best to utilize its capacity. The *pro forma* tariff does not permit additional restrictions.

- What statutory or regulatory obligations, if any, does Morgan Stanley have with respect to utilizing the capacity they purchased? Under what terms do they have to make the capacity available? Under what conditions can they withhold it?

We know of no statutory or regulatory obligations that Morgan Stanley has to use or make available the capacity it purchased. Under Section 22.2(a) of BPA's current transmission tariff, however, Morgan Stanley may not resell its transmission rights for a higher price than the price it paid BPA for the rights.

In Order 888 FERC acknowledged the potential for customers to withhold transmission in a way that has an anticompetitive effect. However, FERC concluded that a generic remedy for this situation was unnecessary because the market provides even stronger incentives for parties to release unneeded capacity. FERC has said that it will investigate allegations of hoarding and may order parties to return capacity rights if they are misused in an anticompetitive manner.

- Is it true that if Morgan Stanley is not utilizing the capacity it purchased, BPA can provide it to someone else, with the stipulation that Morgan Stanley can reclaim its rights up to 20 minutes before the top of the hour? Is that an efficient way to optimize the transmission system in the Northwest? Doesn't this last minute deal-making tend to drive up prices?

It is true that if Morgan Stanley does not schedule use of its capacity, BPA may sell it to someone else on an hourly nonfirm basis. In this case, Morgan Stanley can reclaim its rights up to 20 minutes before the hour. This provision is also included in FERC's *pro forma* tariff. Morgan Stanley or any other purchaser of transmission capacity must pay for the firm transmission rights it has purchased whether it uses them or not. Therefore, firm rights holders may reclaim unscheduled capacity under this provision.

This provision probably increases the efficiency of the transmission system. It provides an opportunity for transmission capacity to be used (as nonfirm) if the owner of the firm transmission rights is not able to use it. At the same time it maximizes the utilization of firm transmission rights. The purchaser's ability to reclaim its transmission allows it to protect its investment to the greatest extent possible. At some point in the process of scheduling hourly transmission, changes become infeasible—thus the 20-minute rule. We are unaware of any evidence that this system drives up prices.

- It is my understanding that a new generator coming online in Klamath Falls wanted to utilize south-north transmission capacity, but Morgan Stanley refused to sign any long-term commitments to provide it. Is this true? Does that then mean that the new Klamath Falls facility would essentially have to obtain capacity on an hourly basis?

I am not privy to any of the negotiations that may have gone on between the Klamath Falls facility and Morgan Stanley, so I do not know what was said or what the outcome was. There is firm transmission available on the AC Intertie beginning next March, though, so it appears that the Klamath Falls facility could acquire long-term firm transmission beginning at that time. In the meantime, it appears that there is substantial nonfirm capacity on the AC Intertie likely to be available to other purchasers, including the Klamath Falls facility.

- What can BPA do to set up a robust monitoring mechanism? Would BPA consider modifying its tariff or business practices to protect against gaming?

While Morgan-Stanley's use of the transmission capacity they have bought does not appear to be causing any problems, this purchase has caused us to consider the potential problems that could be caused by transmission purchases by entities that do not have either generation or a load to serve. Consequently, we are establishing a market monitoring function to track whether transmission rights are being used to manipulate power prices in any measurable way. If complaints arise, BPA will investigate them. As I noted above, FERC also has committed to investigating charges of hoarding. BPA would consider proposing a tariff change to FERC if sufficient evidence of hoarding surfaced.

I believe that it is very important for BPA to provide open access to the transmission system in a way that promotes healthy, competitive markets and reduces prices for end-users. By voluntary complying with FERC's Orders 888 and 889 and adopting its *pro forma* tariff provisions, we are demonstrating our commitment to these objectives.

I hope that this reply is helpful in responding to your inquiry. If I can answer any further questions, please feel free to contact me personally, or have your staff contact our Washington, D.C., office, at (202) 586-5640.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

PETER A. DEFAZIO
4TH DISTRICT, OREGON

RESOURCES COMMITTEE
SUBCOMMITTEE:
WATER AND POWER

TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEES:
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Congress of the United States
House of Representatives

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www.house.gov/defazio/

June 8, 2001

RECEIVED BY BPA ☐
ADMINISTRATOR'S
OFC-LOG #: 01-0276
RECEIPT DATE:
6-7-01
DUE DATE:
6-21-01

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

Dear Steve:

I am writing to express my concerns that the Bonneville Power Administration's (BPA) transmission system could be gamed by speculators with zero interest in maintaining reliable, affordable electricity in the Northwest. We need only to look to California to see how speculators are able to manipulate so-called energy markets, always staying one step ahead of regulators and gouging consumers for billions of dollars.

I recently learned that Morgan Stanley purchased all available long-term transmission capacity (1,145 megawatts) owned by BPA's transmission business line for one year on the AC intertie from the California border into Oregon. Further, Morgan Stanley purchased 60 percent of BPA's capacity (714 megawatts) on a long-term basis beginning in March 2002. It is my understanding from an initial briefing by BPA staff that the entire purchase was made for $17 million.

Morgan Stanley is a financial services company with no recorded history of operating or maintaining an electrical utility. The company does, however, have a record of speculating to maximize profits in other markets with little regard for consumers. The ability of a financial services company, which has no obligation to serve electricity consumers, to lock up all available capacity for a year raises serious concerns. BPA's first obligation should be to operate the transmission system to ensure consumers receive low-cost, reliable service. I would appreciate your response to a number of questions about this development:

- What statutory or regulatory authority allowed Morgan Stanley to lock up all available BPA capacity for one year?

- What, if any, conditions was BPA able to put on the sale of the capacity to Morgan Stanley?

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, P-6, PG-5, PT-5
T/Ditt2, DF-2

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- What statutory or regulatory obligations, if any, does Morgan Stanley have with respect to utilizing the capacity they purchased? Under what terms do they have to make the capacity available? Under what conditions can they withhold capacity?

- Is it true that if Morgan Stanley is not utilizing the capacity it purchased, BPA can provide it to someone else, with the stipulation that Morgan Stanley can reclaim its rights up to 20 minutes before the top of the hour? Is this an efficient way to optimize the transmission system in the Northwest? Doesn't this last minute deal-making tend to drive up prices?

- It is my understanding that a new generator coming online in Klamath Falls wanted to utilize south-north transmission capacity, but Morgan Stanley refused to sign any long-term commitments to provide it. Is this true? Does that then mean that the new Klamath Falls facility would essentially have to obtain capacity on an hourly basis?

Finally, assuming your response will be that the Morgan Stanley purchase followed all applicable laws and regulations, as is clear from the other questions above, I am still extremely concerned about the ability of the company to game the transmission system in order to drive up prices for power. As you may know, the Federal Energy Regulatory Commission (FERC) is investigating whether a Texas energy company, El Paso Corp., deliberately withheld its capacity to transmit natural gas into California in order to drive up prices. Early indications are the FERC investigation will find wrongdoing on the part of El Paso Corp.

According to an initial briefing I received from BPA staff, it was apparent that Morgan Stanley was utilizing only a small fraction of the capacity it purchased. This may indicate an effort to exert market power. Given the virtually limitless opportunities to manipulate a deregulated energy market through withholding capacity, I would urge BPA to vigorously monitor how market participants use BPA's transmission capacity in order to limit manipulation and protect consumers. In that regard:

- What can BPA do to set up a robust monitoring mechanism? Would BPA consider modifying its tariff or business practices to protect against gaming?

Thanks for your attention to this critical issue. I look forward to your reply.

Sincerely,

PETER DeFAZIO
Member of Congress

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

July 12, 2001

In reply refer to: KR-7C

The Honorable Darlene Hooley
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Hooley:

Thank you for your letter of June 22, in support of the Willamette Molalla River Greenway project. On July 2, David Sill of the Bonneville Power Administration (BPA) fish and wildlife staff toured the property with Suzanne Kunse of your staff. We are now in the process of reviewing the proposal and collecting all the needed documentation. BPA expects to make a decision sometime this month on whether to fund a share of this project. We will notify your staff in person once a decision is made.

Thank you for your interest and support of BPA's habitat preservation efforts.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

DARLENE HOOLEY
5th DISTRICT, OREGON

COMMITTEES:
COMMITTEE ON THE BUDGET
COMMITTEE ON BANKING AND FINANCIAL SERVICES
SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITIES
SUBCOMMITTEE ON CAPITAL MARKETS, SECURITIES AND GOVERNMENT SPONSORED ENTERPRISES

Congress of the United States
House of Representatives
Washington, D.C. 20515-3705

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ADMINISTRATOR'S
OFC-LOG #: 01-0325
RECEIPT DATE:
6.25.01
DUE DATE:
7.9.01

June 22, 2001

Steve Wright
Deputy Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, KR-7, KC-7, P-6, PG-5, KE-4, KEW-4
PAT/BART/ANNE

Dear Mr. Wright,

I write in full support of the Willamette Molalla River Greenway project's request for financial assistance from the BPA, identified by the Oregon Department of Fish and Wildlife as a strong fish and wildlife mitigation project in the Willamette Basin. The BPA has long been implementing strong fish and wildlife mitigation projects and this project presents itself as a strong contender for such efforts. In addition, I understand that there are a number of partners working together to help fund the project, and BPA's support would greatly complement these efforts.

This 22-acre riparian habitat protection and restoration project fits well within BPA's land acquisition criteria, and the natural habitat values are strong, including habitat for ESA listed salmon and steelhead. The Willamette Molalla River Greenway includes some of the last remaining old growth riparian forest in the lower Willamette and is under direct threat of residential development.

In addition, this property enjoys strong local and County support. If ODFW's request for BPA funding is not approved the resources of this property could well be lost. I urge you to approve this grant and allow this conservation project to go forward. Thank you for your consideration.

It is an honor to serve Oregon's Fifth District.

Sincerely,

Darlene Hooley

DARLENE HOOLEY
Member of Congress

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Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

August 1, 2001

In reply refer to: KR-7C

The Honorable Conrad Burns
United States Senate
Washington, DC 20510

Dear Senator Burns:

This is in response to your letter to me of June 27, 2001. First, I want to express my sincere appreciation for the support you have given Bonneville Power Administration (BPA) in our recent efforts to reduce the size of our rate increase. The support we received from you and other elected officials, as well as the aggressive load reduction pledges from our customers, led to success beyond what I had dared to hope when we started this exercise back in April.

Because of the region's efforts to reduce loads on BPA, we have brought BPA's rate increase down from 250 percent to 46 percent. A key component of these load reductions was the temporary curtailment of the region's aluminum smelter operations. It is not BPA's intention that these curtailments be anything other than temporary. As you note, we have provided funding so the companies could compensate their workers who were laid off in the curtailments. In addition to minimizing the near-term impact on the local economies, this will also help maintain a skilled labor pool in the community so the companies can stay poised to re-open. In negotiating curtailment agreements with the aluminum industry, BPA has tried to help preserve the long-term economic health of the communities who depend on them.

We are hopeful that within the two years or less, power prices will be in the range so that the aluminum industry can once again operate profitably in this region. West Coast power prices have dropped dramatically in recent weeks--in no small part due to the decreased demand resulting from BPA customer load reductions. New generation is being constructed and coming on line this summer and fall in the Pacific Northwest. These factors, along with improvements in the transmission infrastructure, will help bring the region's power supply and demand back into balance. BPA is doing everything it can to further that goal.

Thank you for your letter.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

CONRAD BURNS
MONTANA

COMMITTEES:
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United States Senate

WASHINGTON, DC 20510–2603
(202) 224–2644

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DOC-LOG #: 01-0374
RECEIPT DATE:
7-16-01
DUE DATE:
7-30-01

June 27, 2001

Mr. Stephen J. Wright
P.O. Box 3621
Portland, OR 97208-3621

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, P-6, PT-5, PG-5,
Gail Kuntz-KR/MSGL PAT/BART

Dear Steve:

In your new role as Administrator of the Bonneville Power Administration you have surely faced some tough decisions. Without question the outlook for the Pacific Northwest's power situation has changed over the past few months. In April, a 300 percent rate increase was likely to come by October 1, now, due to BPA's load reduction effort, that increase has dropped to 46 percent in the first six months of the next fiscal year.

On April 26th I and five of my colleagues from the Pacific Northwest sent a letter endorsing your efforts to minimize BPA's rate increase. That endorsement still stands. However, I have been in contact with many of my constituents who worked at the Columbia Falls Aluminum Company (CFAC) in Columbia Falls, MT that expressed this letter has been mis-interpreted as an endorsement of proposals to shut down the aluminum plants in the Pacific Northwest.

Our concern for the employees of CFAC is one of the reasons why I asked you to come to Kalispell, MT for our Energy Roundtable discussion. Your presence there was very encouraging. Since aluminum was first produced on August 12, 1955, CFAC has been a tremendous benefit to the Flathead Valley. CFAC has provided high paying and stable jobs, added to the tax base for schools, and provided aluminum for American industry.

I feel it is important that a clarification of the April 26th letter be made. My intent in sending the letter was to endorse your call for equitable contributions to BPA's load reduction effort from all Northwest parties. I was not interested in becoming directly involved in every decision that was made, nor was I eager to weigh in on the private negotiations being worked on at the time between BPA and several aluminum companies in Washington, Oregon, Idaho, and Montana.

I am pleased that many of the workers in these plants will continue to receive pay and benefits during the period the plants are idled. But none of us can be particularly pleased about the necessity of temporarily idling significant sectors of the Northwest's industrial economy. I know you share my desire to see Columbia Falls Aluminum Company return to full production as soon as possible and will work with me and the company towards that end.

HELENA (406) 449-5401 | MISSOULA (406) 329-3528 | BUTTE (406) 723-3277 | BOZEMAN (406) 586-4450 | GLENDIVE (406) 365-2391 | KALISPELL (406) 257-3360 | GREAT FALLS (406) 452-9585 | BILLINGS (406) 252-0550 | TOLL FREE 1-800-344-1513

http://burns.senate.gov

I look forward to continuing our work together on power issues in the Pacific Northwest.

Sincerely,

Conrad Burns
United States Senator

CRB\ahf

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

August 20, 2001

In reply refer to: KR-7C

The Honorable Max Baucus
United States Senate
Washington, DC 20510

Dear Senator Baucus:

We are grateful for your support and persistence in finding a power supply solution in the Flathead Valley. I'm happy to report that Bonneville Power Administration (BPA) recently came to an agreement with Flathead Electric Cooperative (Flathead) and PacifiCorp that provides affordable electric rates for all of Flathead's customers, including the Plum Creek Medium Density Fiberboard (Plum Creek) facility.

I assure you that the solution we have agreed to will also help reduce the rate increases Flathead consumers faced and help address your concerns about BPA making a New Large Single Load (NLSL) determination for Plum Creek. Under the agreement, Plum Creek's rates for the next five years should also not be affected when BPA makes the NLSL determination since Flathead's wholesale power costs from BPA will not increase due to the NLSL determination. Although Flathead itself will set its retail rates for its consumers, Flathead has assured BPA that all of their industrial customers served by BPA will continue to receive a retail rate based on a blending of all Flathead's wholesale power costs. After 2006, the impact of the NLSL determination on Plum Creek's rates is harder to determine. We continue to work with Flathead and Plum Creek to help them identify ways to reduce their overall energy costs.

I trust that the solution we have developed is responsive to your concerns. If there are other questions I can answer, please do not hesitate to contact me.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

CONRAD BURNS
MONTANA

COMMITTEES:
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United States Senate

WASHINGTON, DC 20510–2603
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RECEIVED BY BPA
ADMINISTRATOR'S
OFC LOG #: 01-0297
RECEIPT DATE:
6-13-01
DUE DATE:
6-27-01

June 8, 2001

Mr. Stephen J. Wright
P.O. Box 3621
Portland, OR 97208-3621

Dear Steve:

It was good to see you last week in Montana. I am pleased you were able to take the time to hear about the challenges in the Flathead Valley with respect to energy cost and supply.

As you heard throughout the day, the Flathead Valley has suffered significant economic impacts from the shutdown of Columbia Falls Aluminum Company. Residents and businesses alike may face further financial difficulties depending on the resolution of Flathead Electric Cooperative problems. Any additional hardships on area employers would be unacceptable to western Montana people. Specifically, as I pointed out in my letter of April 27, Plum Creek's Medium Density Fiberboard facility that has been in operation since 1974 employs 200 people directly, and many more indirectly, in this rural and economically disadvantaged region of Montana. I am pleased you had the opportunity to spend some time with me at the Plum Creek plant to learn more about the power issues affecting their operations.

I am in receipt of your letter dated May 29. It is unfortunate that your response to the concerns that Senator Baucus and I shared predates our roundtable discussion, as I am sure you were made aware of significant new information at that forum and our subsequent meeting regarding the Flathead Valley's concerns about a New Large Single Load designation for Plum Creek. In particular, your contention that Plum Creek power rates should not be affected by a NLSL determination seems to ignore the crisis situation faced by area residents and businesses based on the potentially disastrous rate increases this fall.

I remain concerned about the effects of a designation of Plum Creek's MDF facility as a New Large Single Load, and as stated in my letter of April 27, convinced that such an action by BPA is counter to the provisions and intent of the Northwest Power Act.

Thank you for your offer to work constructively with Flathead Electric and Plum Creek to reach a satisfactory solution for both the short and long term. I appreciate your time and attention to the issues facing the Flathead Valley and its major employers. I, too, am hopeful that we can reach a satisfactory solution to Plum Creek's power situation.

Sincerely,

Conrad Burns
United States Senator

CRB\ahf

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http://burns.se

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, KR-7, L-7, KR/MSGL (Gail Kuntz), P-6, T/Ditt2

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

August 20, 2001

In reply refer to: KR-7C

The Honorable Conrad Burns
United States Senate
Washington, DC 20510

Dear Senator Burns:

We are grateful for your support and persistence in finding a power supply solution in the Flathead Valley. I'm happy to report that Bonneville Power Administration (BPA) recently came to an agreement with Flathead Electric Cooperative (Flathead) and PacifiCorp that provides affordable electric rates for all of Flathead's customers, including the Plum Creek Medium Density Fiberboard (Plum Creek) facility.

I assure you that the solution we have agreed to will also help reduce the rate increases Flathead consumers faced and help address your concerns about BPA making a New Large Single Load (NLSL) determination for Plum Creek. Under the agreement, Plum Creek's rates for the next five years should also not be affected when BPA makes the NLSL determination since Flathead's wholesale power costs from BPA will not increase due to the NLSL determination. Although Flathead itself will set its retail rates for its consumers, Flathead has assured BPA that all of their industrial customers served by BPA will continue to receive a retail rate based on a blending of all Flathead's wholesale power costs. After 2006, the impact of the NLSL determination on Plum Creek's rates is harder to determine. We continue to work with Flathead and Plum Creek to help them identify ways to reduce their overall energy costs.

I trust that the solution we have developed is responsive to your concerns. If there are other questions I can answer, please do not hesitate to contact me.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

CONRAD BURNS
MONTANA

COMMITTEES:
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United States Senate

WASHINGTON, DC 20510-2603
(202) 224-2644

June 8, 2001

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 01-0297
RECEIPT DATE:
6-13-01
DUE DATE:
6-27-01

Mr. Stephen J. Wright
P.O. Box 3621
Portland, OR 97208-3621

Dear Steve:

It was good to see you last week in Montana. I am pleased you were able to take the time to hear about the challenges in the Flathead Valley with respect to energy cost and supply.

As you heard throughout the day, the Flathead Valley has suffered significant economic impacts from the shutdown of Columbia Falls Aluminum Company. Residents and businesses alike may face further financial difficulties depending on the resolution of Flathead Electric Cooperative problems. Any additional hardships on area employers would be unacceptable to western Montana people. Specifically, as I pointed out in my letter of April 27, Plum Creek's Medium Density Fiberboard facility that has been in operation since 1974 employs 200 people directly, and many more indirectly, in this rural and economically disadvantaged region of Montana. I am pleased you had the opportunity to spend some time with me at the Plum Creek plant to learn more about the power issues affecting their operations.

I am in receipt of your letter dated May 29. It is unfortunate that your response to the concerns that Senator Baucus and I shared predates our roundtable discussion, as I am sure you were made aware of significant new information at that forum and our subsequent meeting regarding the Flathead Valley's concerns about a New Large Single Load designation for Plum Creek. In particular, your contention that Plum Creek power rates should not be affected by a NLSL determination seems to ignore the crisis situation faced by area residents and businesses based on the potentially disastrous rate increases this fall.

I remain concerned about the effects of a designation of Plum Creek's MDF facility as a New Large Single Load, and as stated in my letter of April 27, convinced that such an action by BPA is counter to the provisions and intent of the Northwest Power Act.

Thank you for your offer to work constructively with Flathead Electric and Plum Creek to reach a satisfactory solution for both the short and long term. I appreciate your time and attention to the issues facing the Flathead Valley and its major employers. I, too, am hopeful that we can reach a satisfactory solution to Plum Creek's power situation.

Sincerely,

Conrad Burns
United States Senator

CRB\ahf

HELENA (406) 449-5401 | MISSOULA (406) 329-3528 | BUTTE (406) 723-3277 | BOZEMAN (406) 586-4450 | GLENDIVI (406) 365-2
http://burns.se

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, KR-7, L-7, KR/MSGL (Gail Kuntz), P-6, T/Ditt2

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

September 28, 2001

In reply refer to: KR-7C

The Honorable George Nethercutt, Jr.
U.S. House of Representatives
Washington, DC 20515-4705

Dear Representative Nethercutt:

This is in response to your letter to me of August 20, 2001, in which you ask that Bonneville Power Administration (BPA) provide mitigation to Columbia Basin farmers and ranchers who face high hay prices and general lack of forage for livestock this year.

When BPA paid farmers not to irrigate this spring and summer, the West Coast electricity industry was experiencing skyrocketing wholesale electricity rates, electricity shortages, and dramatic retail rate increases. The Northwest was coping with the second worst water year on record. The irrigation buyback was one of several programs BPA initiated in order to meet regional power needs. The program reduced our irrigation pumping loads by over 100 average megawatts. It helped reduce our dependence on a hugely volatile wholesale power market. Most importantly, while California had rolling blackouts, these programs helped ensure the continued reliable operation of the Northwest power system.

The irrigation buyback benefited farmers, too. The program put almost $30 million in the hands of farmers in the Columbia Basin – many of whom would have otherwise lost money or even gone bankrupt growing crops. It must also be noted that BPA's program was entirely voluntary. The decision to idle land or plant an alternative crop was up to the individual farmer. BPA staff has heard directly from farmers in your district about the value of our program. I hope you will too.

While it is most unfortunate that high hay prices and general lack of forage are hurting livestock producers in Eastern Washington, BPA has not seen any evidence that its program has caused this problem. I am attaching some statistics provided by the USDA National Agricultural Statistics Service (NASS) and information about our irrigation buyback program that I hope put this issue in perspective. Please have your staff contact Rick Itami at (509) 358-7410 for more information.

I trust this responds to your concerns. I am available if you have other questions.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

GEORGE R. NETHERCUTT, JR.
5TH DISTRICT, WASHINGTON

COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEES:
AGRICULTURE
INTERIOR
DEFENSE
VICE CHAIRMAN

COMMITTEE ON SCIENCE
SUBCOMMITTEES:
ENERGY
SPACE AND AERONAUTICS

Congress of the United States
House of Representatives
Washington, DC 20515-4705

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9309 EAST MISSION AVENUE, SUITE B
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(509) 924-7775

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http://www.house.gov/nethercutt (web)

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 01.0490
RECEIPT DATE: 8.30.01
DUE DATE: 9.13.01

August 20, 2001

Mr. Stephen Wright, Acting Administrator
Bonneville Power Administration
Post Office Box 3621
Portland, Oregon 97208-3621

Dear Steve:

As you are aware, the district I represent in Eastern Washington is heavily dominated by natural resource and agrarian industries which have been directly or indirectly sustained for decades by the Columbia Basin Project.

Your decision to idle 90,000 acres of productive cropland within the Columbia Basin Project has left farmers and ranchers scrambling to find hay to meet winter forage needs during a time when they are experiencing substantial pasture and crop losses of fifty to eighty percent of normal. What hay is found is so expensive to purchase and transport that many ranchers are faced with the decision to cull fifty to sixty percent of herds that represent years of investment. BPA has taken away the ability of our region's farmers to adapt and sustain their operations during inclement times. The rural communities and local economies that will suffer the most from the loss of business that agriculture brings currently experience double-digit unemployment.

I request that BPA help to mitigate the consequences of its action in the Columbia Basin and assist our farmers and ranchers in such a way that will allow them to sustain their herds this winter. I look forward to discussing this issue with you.

Cordially,

GEORGE R. NETHERCUTT, JR.
Representative in Congress

This is a problem, Steve!

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, KR-7, PS-6,
RItami-PSE/Spokane, CCuster-KR/WSGL
PAT/BART

THIS STATIONERY PRINTED ON PAPER MADE OF RECYCLED FIBERS

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

December 14, 2001

In reply refer to: KR-7C

The Honorable Max Baucus
United States Senate
Washington, D.C. 20510

Dear Senator Baucus:

Thank you for your letter of November 20, 2001, asking that Bonneville Power Administration (BPA) work with Columbia Falls Aluminum Company (CFAC) to develop a plan for CFAC to have access to BPA power after CFAC's current five-year contract expires. Certainly CFAC plays an important role in the local and State economy, and we recognize that the economy in Northwest Montana is struggling. BPA is very sensitive to the effects that affordable power has on local, State, and regional economies.

With your support and assistance, we have been able to take a number of steps that are currently helping the Montana economy through a very difficult time. For at least the next 5 years, we are providing Hungry Horse power to 22 of the 26 Montana electric cooperatives at rates that are two-thirds those of most of our other public utility customers. We have also worked hard this year to help Flathead Electric Cooperative (Flathead) provide affordable power to one of the Flathead Valley's largest employers--Plum Creek.

A very depressed world aluminum market is keeping CFAC operations shut down now. We are pleased that, again with your support, we were able to work with CFAC so that it would provide funding for full salary and benefits to hundreds of CFAC workers who would otherwise not be receiving full pay. This arrangement is also helping to keep the plant poised to reopen should aluminum prices return to levels that make CFAC operations profitable again.

We are currently actively engaged in discussion of post-2006 service to CFAC and our other direct service industrial (DSI) customers. This is a difficult issue for the region. The resources of the Federal Columbia River Power System are limited, and they cannot meet all of the loads of all of our current customers. We have been participating in customer meetings that we hope will produce a proposal for access to federal power post-2006 that is acceptable to all customer groups, including the DSIs. We are seeking to come to agreements on how to use the benefits of the federal system in ways that do not require legislative changes and which preserve or enhance the value of those benefits for the region.

Before decisions are made, there must be an open public process to provide all stakeholders with a meaningful opportunity to affect decisions. BPA is encouraging customers and other stakeholders to take a strong hand in this process. We believe that the best path to sustainable decisions is for customers and others to take ownership for the outcome. We will pursue these discussions of post-2006 service diligently and will report to you on progress.

One factor that I believe we should keep on the screen, too, is CFAC's remarketing revenues from this year. CFAC did the right thing by returning some if its windfall remarketing revenues to BPA for rate relief to other customers and by paying their laid-off workers. But even after that, CFAC realized over $300 million in profits from remarketing BPA power. We believe these revenues can make a substantial contribution toward ensuring the long-term viability of the plant. Fortunately, in our remarketing agreement, CFAC has agreed to invest its after-tax remarketing revenues to improve the viability and operations of the smelter by actions such as purchasing a power supply, investing in resources, or improving plant efficiency. As we pursue post-2006 Federal power supply, I would ask you to join me in urging CFAC to commit soon to how it will apply these funds to the future of their plant.

I look forward to your involvement and the involvement of your Montana constituents in these discussions. I am hopeful that we will be able to resolve the difficult issues surrounding how to equitably share the limited resources of the Federal system in a way that is most beneficial for the region's economy and future.

Please contact me if you have any other questions about this issue.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

cc:
The Honorable Conrad Burns
United States Senate
Washington, D.C. 20510

The Honorable Denny Rehberg
U.S. House of Representatives
Washington, D.C. 20515

Congress of the United States

Washington, DC 20515

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 01.0643
RECEIPT DATE:
11.28.01
DUE DATE:
12.12.01

November 20, 2001

Mr. Stephen J. Wright
Bonneville Power Administration
905 NE 11th Avenue
PO Box 3621
Portland, Oregon 97232-3621

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, P-6, PT-5,
Scott Wilson-PT-5, Robert King-TM/Ditt2
PAT/BART/GAIL

Dear Steve:

The Columbia Falls Aluminum Company (CFAC) is extremely important to our state and to our constituents. CFAC is one of the state's major employers, providing much needed family wage jobs and a large portion of the area's tax base. As you know very well, CFAC's economic contribution to a rural area like Northwest Montana is particularly significant.

We understand that CFAC has power purchase contracts with Bonneville through the fall of 2006. For any organization to endure, it must have a reasonable expectation of long-term viability. In CFAC's case, that means access to affordable power into the future.

We are concerned that CFAC will be permanently excluded from access to federal cost-based power after 2006. We believe CFAC will not be able to survive under that scenario.

BPA produces nearly half the power in the Northwest. Hungry Horse and Libby Dam contribute significant benefits to the BPA system, including power production capabilities and vital storage capacity. Montana's economy, and particularly the rural Montana economy, has been hit hard in recent years. If CFAC is closed permanently, the ripple effects in an already economically depressed area will be devastating.

We understand the need for fair treatment of all BPA customers -- this includes CFAC. We ask that you work with CFAC to develop a plan for power access that will ensure continued operation of the plant.

Sincerely,

PRINTED ON RECYCLED PAPER

Congress of the United States

Washington, DC 20515

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 01.0643
RECEIPT DATE: 11.28.01
DUE DATE: 12.12.01

November 20, 2001

Mr. Stephen J. Wright
Bonneville Power Administration
905 NE 11th Avenue
PO Box 3621
Portland, Oregon 97232-3621

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, P-6, PT-5, Scott Wilson-PT-5, Robert King-TM/Ditt2
PAT/BART/KUNTZ

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Sincerely,

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Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

December 7, 2001

In reply refer to: KR-7C

The Honorable Brian Baird
U.S. House of Representatives
Washington, DC 20515

Dear Representative Baird:

This is in response to your letter of November 2001, asking that Bonneville Power Administration (BPA) work to reach an equitable settlement with Cowlitz County Public Utility District (Cowlitz) and Longview Fibre Company (Longview Fibre) regarding Longview's use of its cogeneration facilities.

BPA and Cowlitz have agreed to a process to settle the dispute. At issue are billing for power services to Cowlitz under its 1981 BPA power sales contract and the treatment of Longview Fibre's cogeneration output under Cowlitz's 2001 subscription contract with BPA. BPA and Cowlitz will enter into binding arbitration to resolve the billing dispute. In addition, Cowlitz has revised its power subscription contract to reflect Longview Fibre's operation of its generation facilities. I am hopeful that this approach will result in a settlement of the dispute.

I assure you that BPA does support industrial end users' investment in developing their own generating resources. BPA customers and end users who take the initiative to develop generation can be part of the solution to the West Coast energy crisis. As I am sure you understand, though, BPA's concern is that those who own generation bear the costs of developing and operating that generation, rather than increasing costs for BPA's other customers.

I trust this is responsive to your request. If I can be of any further assistance, please contact me or have your staff contact Paul O'Neal, BPA Account Executive, at 503-230-5872.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

Enclosure

BRIAN BAIRD
THIRD DISTRICT, WASHINGTON

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

WATER RESOURCES AND ENVIRONMENT SUBCOMMITTEE

COAST GUARD AND MARITIME SUBCOMMITTEE

SMALL BUSINESS COMMITTEE

web address: http://www.house.gov/baird
e-mail address: brian.baird@mail.house.gov

Congress of the United States
House of Representatives
Washington, DC 20515–4703

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(202) 225–3536

November 6, 2001

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 01-0631
RECEIPT DATE:
11-14-01
DUE DATE:
11-28-01
Assign: KR-7-C
cc: A-7, D-7, KN, L-7, P-6,
PO'Neal-PSW-6
PAT/BART/CINDY

Acting Administrator Steve Wright
Bonneville Power Administration
Post Office Box 3621
Portland, Oregon 97208-3621

Dear Steve:

I am writing to request your assistance to ensure that the Bonneville Power Administration (BPA) reaches an equitable settlement with Cowlitz PUD and Longview Fibre Company regarding the use of facilities for cogenerating electricity that are owned by Longview Fibre.

As you know, industrial cogeneration is encouraged by PURPA (the Public Utility Regulatory Policies Act of 1978) and is environmentally beneficial by using waste heat to produce electricity. In order for private industrial customers of utilities to invest in cogeneration in our region, there must be some level of autonomy and control of operation of these facilities to make it possible for the industrial customer to generate a profit. A period of five or ten years seems too long to ask an industry to commit to the application of cogenerated power. When all flexibility of operation for these private facilities is removed, it will be very difficult for private companies to justify investing in the cogeneration facilities needed by our region.

It is important to note that Longview Fibre Company has operated a pulp and paper mill in Longview, Washington since 1927 and has been selling power into the market for decades. The most recent addition to the generating capacity at Longview Fibre was 60 megawatts of generation from a combustion gas turbine constructed in 1995. Longview Fibre's generating facilities have helped the company stay in business during economic downturns and enable it to continue to employ about 2,000 people in Cowlitz County.

As we have discussed on several occassions, I am interested in assuring that the climate exists for companies to invest in private cogeneration facilities which I believe will be a benefit to BPA and the region as a whole. I also believe that continued operations at Longview Fibre will help support high wage jobs for the residential customers of Cowlitz PUD and will contribute to the overall economic health of Southwest Washington.

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I urge you to continue to work toward a settlement with Longview Fibre that will allow the company to utilize its electrical generation to the benefit of itself and the Pacific Northwest as a whole. A solution must be available that will not have a negative economic impact on the Cowlitz PUD commercial or residential ratepayers. It seems sensible that by allowing cogeneration facilities to operate efficiently, the community should derive a positive benefit. By providing private industry flexibility to utilize privately-owned assets that are managed properly and planned and designed to work with BPA, the Pacific Northwest economy will benefit.

I appreciate your prompt attention to this matter and look forward to talking to you further about it.

Sincerely,

Brian Baird
Member of Congress

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

December 14, 2001

In reply refer to: KR-7C

The Honorable Conrad Burns
United States Senate
Washington, D.C. 20510

Dear Senator Burns:

Thank you for your letter of November 20, 2001, asking that Bonneville Power Administration (BPA) work with Columbia Falls Aluminum Company (CFAC) to develop a plan for CFAC to have access to BPA power after CFAC's current five-year contract expires. Certainly CFAC plays an important role in the local and State economy, and we recognize that the economy in Northwest Montana is struggling. BPA is very sensitive to the effects that affordable power has on local, State, and regional economies.

With your support and assistance, we have been able to take a number of steps that are currently helping the Montana economy through a very difficult time. For at least the next 5 years, we are providing Hungry Horse power to 22 of the 26 Montana electric cooperatives at rates that are two-thirds those of most of our other public utility customers. We have also worked hard this year to help Flathead Electric Cooperative (Flathead) provide affordable power to one of the Flathead Valley's largest employers--Plum Creek.

A very depressed world aluminum market is keeping CFAC operations shut down now. We are pleased that, again with your support, we were able to work with CFAC so that it would provide funding for full salary and benefits to hundreds of CFAC workers who would otherwise not be receiving full pay. This arrangement is also helping to keep the plant poised to reopen should aluminum prices return to levels that make CFAC operations profitable again.

We are currently actively engaged in discussion of post-2006 service to CFAC and our other direct service industrial (DSI) customers. This is a difficult issue for the region. The resources of the Federal Columbia River Power System are limited, and they cannot meet all of the loads of all of our current customers. We have been participating in customer meetings that we hope will produce a proposal for access to federal power post-2006 that is acceptable to all customer groups, including the DSIs. We are seeking to come to agreements on how to use the benefits of the federal system in ways that do not require legislative changes and which preserve or enhance the value of those benefits for the region.

Before decisions are made, there must be an open public process to provide all stakeholders with a meaningful opportunity to affect decisions. BPA is encouraging customers and other stakeholders to take a strong hand in this process. We believe that the best path to sustainable decisions is for customers and others to take ownership for the outcome. We will pursue these discussions of post-2006 service diligently and will report to you on progress.

One factor that I believe we should keep on the screen, too, is CFAC's remarketing revenues from this year. CFAC did the right thing by returning some if its windfall remarketing revenues to BPA for rate relief to other customers and by paying their laid-off workers. But even after that, CFAC realized over $300 million in profits from remarketing BPA power. We believe these revenues can make a substantial contribution toward ensuring the long-term viability of the plant. Fortunately, in our remarketing agreement, CFAC has agreed to invest its after-tax remarketing revenues to improve the viability and operations of the smelter by actions such as purchasing a power supply, investing in resources, or improving plant efficiency. As we pursue post-2006 Federal power supply, I would ask you to join me in urging CFAC to commit soon to how it will apply these funds to the future of their plant.

I look forward to your involvement and the involvement of your Montana constituents in these discussions. I am hopeful that we will be able to resolve the difficult issues surrounding how to equitably share the limited resources of the Federal system in a way that is most beneficial for the region's economy and future.

Please contact me if you have any other questions about this issue.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

cc:
The Honorable Max Baucus
United States Senate
Washington, D.C. 20510

The Honorable Denny Rehberg
U.S. House of Representatives
Washington, D.C. 20515

Congress of the United States

Washington, DC 20515

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 01.0643
RECEIPT DATE: 11.28.01
DUE DATE: 12.12.01

November 20, 2001

Mr. Stephen J. Wright
Bonneville Power Administration
905 NE 11th Avenue
PO Box 3621
Portland, Oregon 97232-3621

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, P-6, PT-5,
Scott Wilson-PT-5, Robert King-TM/Ditt2
PAT/BART/GAIL

Dear Steve:

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We understand the need for fair treatment of all BPA customers -- this includes CFAC. We ask that you work with CFAC to develop a plan for power access that will ensure continued operation of the plant.

Sincerely,

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Congress of the United States

Washington, DC 20515

01.0643
11.28.01
12.12.01

November 20, 2001

Mr. Stephen J. Wright
Bonneville Power Administration
905 NE 11th Avenue
PO Box 3621
Portland, Oregon 97232-3621

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, P-6, PT-5,
Scott Wilson-PT-5, Robert King-TM/Ditt2
PAT/BART/KUNTZ

Dear Steve:

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Sincerely,

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BRIAN BAIRD
THIRD DISTRICT, WASHINGTON

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

WATER RESOURCES AND ENVIRONMENT SUBCOMMITTEE

COAST GUARD AND MARITIME SUBCOMMITTEE

SMALL BUSINESS COMMITTEE

web address: http://www.house.gov/baird
e-mail address: brian.baird@mail.house.gov

Congress of the United States
House of Representatives
Washington, DC 20515–4703

RECEIVED BY BPA ADMINISTRATOR'S OFFICE #01-0645
RECEIPT DATE: 11.28.01
DUE DATE: 11.30.01

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(360) 695-6292

606 COLUMBIA STREET NW
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OLYMPIA, WA 98501
(360) 352-5768

WASHINGTON, DC OFFICE:
1721 LONGWORTH HOB
WASHINGTON, DC 20515
(202) 225-3536

November 28, 2001

Mr. Stephen Wright
Department of Energy
Bonneville Power Administration

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, CCuster-KR/WSGL, BWindus-CT-1 PAT/BART

Dear Mr. Wright:

In light of the events of September 11th, a great deal of concern has been expressed in regards to local safety and regional emergency management. I believe it would be beneficial for Southwest Washington's emergency planning and management agencies, local and state government officials, and federal emergency planning and management agencies to meet to discuss planning, coordination, preparedness, and additional needs. As a result, I have arranged a Regional Emergency Planning Forum to discuss these and other related issues.

Please come prepared to discuss your jurisdiction's existing emergency plans and additional specific needs. The forum will be held:

December 8, 2001
8:00am - 12:15pm
Gaiser Middle School
3000 NE 99th Street
Vancouver, Washington 98660

Please RSVP by November 30th to my Vancouver district office at 360-695-6292 so that adequate space to accommodate all guests can be arranged. For additional information, please contact Jeanne Bennett or Dena Horton at the same number.

I hope you are able to join me on December 8th to ensure that our region is capable of responding to natural as well as man-made disasters. I look forward to seeing you at the forum.

Sincerely,

Brian Baird
Member of Congress

This mailing was prepared, published and mailed at taxpayer expense.

PRINTED ON RECYCLED PAPER

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

December 21, 2001

In reply refer to: KR-7C

The Honorable Denny Rehberg
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Rehberg:

Thank you for your letter of November 20, 2001, asking that Bonneville Power Administration (BPA) work with Columbia Falls Aluminum Company (CFAC) to develop a plan for CFAC to have access to BPA power after CFAC's current five-year contract expires. Certainly CFAC plays an important role in the local and State economy, and we recognize that the economy in Northwest Montana is struggling. BPA is very sensitive to the effects that affordable power has on local, State, and regional economies.

With your support and assistance, we have been able to take a number of steps that are currently helping the Montana economy through a very difficult time. For at least the next 5 years, we are providing Hungry Horse power to 22 of the 26 Montana electric cooperatives at rates that are two-thirds those of most of our other public utility customers. We have also worked hard this year to help Flathead Electric Cooperative (Flathead) provide affordable power to one of the Flathead Valley's largest employers--Plum Creek.

A very depressed world aluminum market is keeping CFAC operations shut down now. We are pleased that, again with your support, we were able to work with CFAC so that it would provide funding for full salary and benefits to hundreds of CFAC workers who would otherwise not be receiving full pay. This arrangement is also helping to keep the plant poised to reopen should aluminum prices return to levels that make CFAC operations profitable again.

We are currently actively engaged in discussion of post-2006 service to CFAC and our other direct service industrial (DSI) customers. This is a difficult issue for the region. The resources of the Federal Columbia River Power System are limited, and they cannot meet all of the loads of all of our current customers. We have been participating in customer meetings that we hope will produce a proposal for access to federal power post-2006 that is acceptable to all customer groups, including the DSIs. We are seeking to come to agreements on how to use the benefits of the federal system in ways that do not require legislative changes and which preserve or enhance the value of those benefits for the region.

Before decisions are made, there must be an open public process to provide all stakeholders with a meaningful opportunity to affect decisions. BPA is encouraging customers and other stakeholders to take a strong hand in this process. We believe that the best path to sustainable decisions is for customers and others to take ownership for the outcome. We will pursue these discussions of post-2006 service diligently and will report to you on progress.

One factor that I believe we should keep on the screen, too, is CFAC's remarketing revenues from this year. CFAC did the right thing by returning some if its windfall remarketing revenues to BPA for rate relief to other customers and by paying their laid-off workers. But even after that, CFAC realized over $300 million in profits from remarketing BPA power. We believe these revenues can make a substantial contribution toward ensuring the long-term viability of the plant. Fortunately, in our remarketing agreement, CFAC has agreed to invest its after-tax remarketing revenues to improve the viability and operations of the smelter by actions such as purchasing a power supply, investing in resources, or improving plant efficiency. As we pursue post-2006 Federal power supply, I would ask you to join me in urging CFAC to commit soon to how it will apply these funds to the future of their plant.

I look forward to your involvement and the involvement of your Montana constituents in these discussions. I am hopeful that we will be able to resolve the difficult issues surrounding how to equitably share the limited resources of the Federal system in a way that is most beneficial for the region's economy and future.

Please contact me if you have any other questions about this issue.

Sincerely,

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

cc:
The Honorable Max Baucus
United States Senate
Washington, D.C. 20510

The Honorable Conrad Burns
United States Senate
Washington, D.C. 20510

Congress of the United States

Washington, DC 20515

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 01.0643
RECEIPT DATE: 11.28.01
DUE DATE: 12.12.01

November 20, 2001

Mr. Stephen J. Wright
Bonneville Power Administration
905 NE 11th Avenue
PO Box 3621
Portland, Oregon 97232-3621

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, P-6, PT-5,
Scott Wilson-PT-5, Robert King-TM/Ditt2
PAT/BART/GAIL

Dear Steve:

The Columbia Falls Aluminum Company (CFAC) is extremely important to our state and to our constituents. CFAC is one of the state's major employers, providing much needed family wage jobs and a large portion of the area's tax base. As you know very well, CFAC's economic contribution to a rural area like Northwest Montana is particularly significant.

We understand that CFAC has power purchase contracts with Bonneville through the fall of 2006. For any organization to endure, it must have a reasonable expectation of long-term viability. In CFAC's case, that means access to affordable power into the future.

We are concerned that CFAC will be permanently excluded from access to federal cost-based power after 2006. We believe CFAC will not be able to survive under that scenario.

BPA produces nearly half the power in the Northwest. Hungry Horse and Libby Dam contribute significant benefits to the BPA system, including power production capabilities and vital storage capacity. Montana's economy, and particularly the rural Montana economy, has been hit hard in recent years. If CFAC is closed permanently, the ripple effects in an already economically depressed area will be devastating.

We understand the need for fair treatment of all BPA customers -- this includes CFAC. We ask that you work with CFAC to develop a plan for power access that will ensure continued operation of the plant.

Sincerely,

PRINTED ON RECYCLED PAPER

Congress of the United States

Washington, DC 20515

01.0643
11.28.01
12.12.01

November 20, 2001

Mr. Stephen J. Wright
Bonneville Power Administration
905 NE 11th Avenue
PO Box 3621
Portland, Oregon 97232-3621

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, P-6, PT-5,
Scott Wilson-PT-5, Robert King-TM/Ditt2
PAT/BART/KUNTZ

Dear Steve:

The Columbia Falls Aluminum Company (CFAC) is extremely important to our state and to our constituents. CFAC is one of the state's major employers, providing much needed family wage jobs and a large portion of the area's tax base. As you know very well, CFAC's economic contribution to a rural area like Northwest Montana is particularly significant.

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Sincerely,

PRINTED ON RECYCLED PAPER

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

January 8, 2002

In reply refer to: KR-7C

The Honorable Greg Walden
Medford District Office
843 East Main Street, Suite 400
Medford, OR 97504

Dear Representative Walden:

I am writing in response to the inquiry you forwarded from your constituent, Thomas E. Bailey, of the Board of Directors for The Dalles Irrigation District (District). The District's power is generated at the Corps of Engineers' The Dalles Dam. The District purchases this power from the Bureau of Reclamation (BOR) via contract. Mr. Bailey is concerned because the District's rates for this project power have nearly doubled.

The District's contract with BOR states that the Secretary of the Interior will set the rates for the power sold under the contract at least every five years. The rates are to be based on the cost of power production at The Dalles Dam. Bonneville Power Administration (BPA) staff compute this rate using a methodology that has been approved by the Secretary of the Interior. In accordance with this methodology, the charge has two components: one for the generation cost and the other for any over or underpayment compared to actual costs for the previous period. An underpayment for the previous period accounts for over half of the increase. Please be advised, however, that expenses for nuclear projects are not included in the rate that the BOR charges the District, contrary to what Mr. Bailey states in his letter.

BPA is very sensitive to the economic challenges that irrigators and other businesses in this region are facing. We know that power is a significant portion of many businesses' costs. As you know, BPA has had to increase its rates to its own customers by 46 percent in the first 6 months of the 2002-2006 rate period. We are doing everything we can to reduce our costs so that our own rates can be lower.

The rate calculations BPA has done for this contract can be complex. So, I have asked BPA staff who manage this contract to meet with the District as soon as possible to go over the numbers in person. It might also be useful for them to meet with your staff to explain the background and

the methodology for calculating costs. After those meetings, if there are further questions about the appropriate rate that the District should be charged, I urge you to contact me again.

Thank you for your letter.

Stephen J. Wright
Acting Administrator and
Chief Executive Officer

cc:
The Honorable Greg Walden
U.S. House of Representatives
Washington, DC 20515

COMMITTEES:

ENERGY AND COMMERCE

ENERGY AND AIR QUALITY

COMMERCE, TRADE, AND CONSUMER PROTECTION

ENVIRONMENT AND HAZARDOUS MATERIALS

RESOURCES

WATER AND POWER

Congress of the United States
House of Representatives

GREG WALDEN
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WEBSITE:
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E-MAIL:
greg.walden@mail.house.gov

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 01-0653
RECEIPT DATE:
12-7-01
DUE DATE:
12-21-01

December 4, 2001

Mr. Stephen Wright
Acting Administrator
Bonneville Power Administration
905 Northeast 11th Avenue
PO Box 3621
Portland, Oregon 97208

ASSIGN: [redacted]
cc: A-7, D-7, KN/Wash, L-7, P-6,
Rick Itami-PSE/Spokane, Dan Bloyer-PSE/Bend
RON RODEWALD - PGS-5

Dear Mr. Wright:

I have recently been contacted by my constituent, Mr. Thomas Bailey, regarding his concerns with your agency.

My constituent has provided me with the enclosed letter that details his situation. I appreciate your attention to this matter in order to ensure that it is resolved in a timely fashion.

Thank you for your prompt attention to my inquiry. I look forward to hearing from you at my district office in Medford, Oregon.

Sincerely,

Greg Walden
Member of Congress

GW/ms

Enclosure

Date; November 23, 2001

To; Matt Smith
From; Tom Bailey
The Dalles Irrigation District
Member, Board of Directors
3570 Olney Road
The Dalles, OR 97058
Phone; 541 298 8478
FAX; 541 298 1808

Dear Mr. Smith

I serve on the Board of Directors for The Dalles Irrigation. The District was formed 40 years ago and My father Don W. Bailey served as Chairman from the formation of the District until 1997 when I replaced Him on the Board due to His Illness.

The Dalles Irrigation District provides water to approximately 5800 acres of orchards around The Dalles. Our power to pump the water from the Columbia River comes from A BPA substation here in The Dalles and is carried over Our power lines to Our pump stations.

The enclosed letters tell of the original agreements and subsequent additions to charges We pay for power. The power costs were determined based on the cost of power production at The Dalles Dam. Additional cost were incurred at the substation when it was improved and upgraded. The Irrigation District was charged for A portion of the upgrades since The District received It's power from that station.

The Dalles Irrigation District is owned by and operated under the Bureau of Reclamation /Department of the Interior. Our power is purchased; By the Bureau; From The Bonneville Power Administration / Department of Energy. A Copy of The new contract which will effect Our power rates is inclosed and it will double our power costs.

If You look at the foot note at the bottom of page Summary.xis for September 30 1994 it indicates that a large portion of the power expense includes operations and maintenance for WNP #'s 1,2 & 3, Trojan, Hanford, BPA current purchased power etc.. These cost do not increase the cost of power production at The Dalles Dam and should not be included in Our Rate. Like-wise ; If Bonneville had made money on These projects It would not have reduced the cost of Power production at The Dalles Dam.

I am not an accountant and there are a Lot of numbers on these spread sheets to understand. I just cannot believe that the cost to produce power has doubled. However I can believe the cost of Bonnevellle Power Administration's operations have doubled but the farmers of this area cannot afford to pay double the present electricity rate to pump water. We have many other cost of production increases ,loss due to weather, foreign competition, and poor economic conditions to deal with and now Our Government wants to double Our power Cost.

Any thoughts or Ideas would be greatly appreciated.

We will be scheduling A meeting With the Bonneville Power Administration Representative In the next week or so. Even though the contract is Between Bonneville and the Bureau; The Dalles Irrigation District , ie We the Growers pay the bill.

Thank You;

Tom

Thomas E. Bailey

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

FEB 15 2002

In reply refer to: KR-7C

The Honorable Greg Walden
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Walden:

Thank you for your letter of January 31, 2002, in which you describe your concerns about altering the current process for reviewing and selecting fish and wildlife projects in the Columbia River Basin. I understand that the Northwest Power Planning Council (Council) has looked at some ideas along these lines. However, since the Council has not yet developed any specific proposals, Bonneville Power Administration (BPA) is not in a position to comment on those ideas. If and when the Council does propose any changes to the fish and wildlife project selection process, I certainly anticipate that that those changes will be subject to a public review process as is the Council's practice. In that event, BPA will review the proposal and comment on it through the public process.

BPA is very supportive of the regional view that the Council provides with its fish and wildlife efforts, as well as in its power and conservation plan. We have also been impressed with the contribution that independent scientific reviews of fish and wildlife proposals have made to the credibility and effectiveness of the Council's program. As the Council proceeds with its subbasin planning efforts, a primary goal for BPA remains the integration of the Council's fish and wildlife plan with BPA's Endangered Species Act responsibilities. We are encouraged by the progress that has been made so far to integrate the Council's program with the off-site mitigation actions that are described in the National Marine Fisheries Service and U.S. Fish and Wildlife Service 2000 Biological Opinions.

Thank you for your letter. Should the Council announce proposed changes in its process, I will keep you apprised of any input BPA provides to the Council regarding the changes.

Sincerely,

Stephen J. Wright
Administrator and
Chief Executive Officer

Cc:
The Honorable Peter DeFazio
U.S. House of Representatives
Washington, D.C. 20515

Congress of the United States
Washington, DC 20515

02.0022
2.4.02
2.19.02

January 31, 2002

Mr. Steve Wright, Acting Administrator and
Chief Executive Officer
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, KR-7, L-7, KE-4, KEW-4, Lori Bodi-A/Seattle, Jim Curtis-DF-2

Mr. Frank L. Cassidy, Jr., Chairman
Northwest Power Planning Council
851 S.W. Sixth Avenue, Suite 1100
Portland, OR 97204

Dear Mr. Wright and Mr. Cassidy:

It has come to our attention that there are ongoing discussions in the region aimed at altering the current process for reviewing and selecting fish and wildlife projects in the Columbia River Basin pursuant to section 4(h)(10)(D) of the Northwest Power Act. Although improvements in the process should be pursued when feasible, considering the importance of Bonneville's fish and wildlife expenditures to implementation of both the *2000 Biological Opinion* and the *Columbia River Basin Fish and Wildlife Program*, Bonneville and the Council must ensure that the integrity of the project review process, as mandated by law, is preserved and protected.

It is important to recall that Congress added section 4(h)(10)(D) to the Northwest Power Act in 1996 as a result of concerns over the effectiveness of Bonneville's fish and wildlife expenditures, and the apparent lack of accountability in the program. Congress addressed these problems by requiring the establishment of the Independent Scientific Review Panel, public review of project proposals and recommendations, and mandating the Council to make final project funding recommendations to Bonneville. By all indications over the last five years, the implementation of section 4(h)(10)(D) has significantly improved the public's confidence in the effective expenditure of Bonneville's fish and wildlife dollars.

The underlying purpose of section 4(h)(10)(D) is to ensure that Bonneville's funds are utilized in the most effective manner possible to protect, mitigate and enhance fish and wildlife populations in the Columbia River Basin, without regard to political boundaries. Bonneville's program is not intended to be an entitlement program for individual states, tribes, or interest groups, and we could not support any change in the

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procedures implementing section 4(h)(10)(D) that would diminish the current level of accountability.

To the extent that discussions in the region continue, we strongly recommend that they be conducted in an open, inclusive manner, with the full involvement of the states, tribes, utilities, public interest groups, and other interested parties. We also expect to be involved and consulted prior to any changes in the current project review process.

Sincerely,

Greg Walden
Member of Congress

Peter DeFazio
Member of Congress

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

February 15, 2002

In reply refer to: KR-7C

The Honorable Peter DeFazio
U.S. House of Representatives
Washington, DC 20515

Dear Representative DeFazio:

Thank you for your letter of January 31, 2002, in which you describe your concerns about altering the current process for reviewing and selecting fish and wildlife projects in the Columbia River Basin. I understand that the Northwest Power Planning Council (Council) has looked at some ideas along these lines. However, since the Council has not yet developed any specific proposals, Bonneville Power Administration (BPA) is not in a position to comment on those ideas. If and when the Council does propose any changes to the fish and wildlife project selection process, I certainly anticipate that that those changes will be subject to a public review process as is the Council's practice. In that event, BPA will review the proposal and comment on it through the public process.

BPA is very supportive of the regional view that the Council provides with its fish and wildlife efforts, as well as in its power and conservation plan. We have also been impressed with the contribution that independent scientific reviews of fish and wildlife proposals have made to the credibility and effectiveness of the Council's program. As the Council proceeds with its subbasin planning efforts, a primary goal for BPA remains the integration of the Council's fish and wildlife plan with BPA's Endangered Species Act responsibilities. We are encouraged by the progress that has been made so far to integrate the Council's program with the off-site mitigation actions that are described in the National Marine Fisheries Service and U.S. Fish and Wildlife Service 2000 Biological Opinions.

Thank you for your letter. Should the Council announce proposed changes in its process, I will keep you apprised of any input BPA provides to the Council regarding the changes.

Sincerely,

Stephen J. Wright
Administrator and
Chief Executive Officer

Cc:
The Honorable Greg Walden
U.S. House of Representatives
Washington, D.C. 20515

Congress of the United States
Washington, DC 20515

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 02-0022
RECEIPT DATE:
2-4-02
DUE DATE:
2-19-02

January 31, 2002

Mr. Steve Wright, Acting Administrator and
Chief Executive Officer
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

Mr. Frank L. Cassidy, Jr., Chairman
Northwest Power Planning Council
851 S.W. Sixth Avenue, Suite 1100
Portland, OR 97204

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, KR-7, L-7, KE-4, KEW-4, Lori Bodi-A/Seattle, Jim Curtis-DF-2

Dear Mr. Wright and Mr. Cassidy:

It has come to our attention that there are ongoing discussions in the region aimed at altering the current process for reviewing and selecting fish and wildlife projects in the Columbia River Basin pursuant to section 4(h)(10)(D) of the Northwest Power Act. Although improvements in the process should be pursued when feasible, considering the importance of Bonneville's fish and wildlife expenditures to implementation of both the *2000 Biological Opinion* and the *Columbia River Basin Fish and Wildlife Program*, Bonneville and the Council must ensure that the integrity of the project review process, as mandated by law, is preserved and protected.

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procedures implementing section 4(h)(10)(D) that would diminish the current level of accountability.

To the extent that discussions in the region continue, we strongly recommend that they be conducted in an open, inclusive manner, with the full involvement of the states, tribes, utilities, public interest groups, and other interested parties. We also expect to be involved and consulted prior to any changes in the current project review process.

Sincerely,

Greg Walden
Member of Congress

Peter DeFazio
Member of Congress

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

March 25, 2002

In reply refer to: KR-7C

The Honorable Henry A. Waxman
U.S. House of Representatives
Washington, DC 20515

Dear Representative Waxman:

I am writing in response to your letter of November 27, 2001, regarding various electricity issues, including market power proposals. I understand that you have written to the other Federal Power Marketing Administrations (PMA) with the same request. I apologize for the delay in responding to your letter.

I understand that the Administrator of the Western Area Power Administration (WAPA) sent a reply to you on January 28, 2002, that addressed national policy issues raised in your letter. His letter was written in coordination with the Department of Energy and reflects the views of the Department and the PMAs generally. We do not have anything to add to WAPA's response.

Thank you for your letter.

Sincerely,

Stephen J. Wright
Administrator and
Chief Executive Officer

cc:
The Honorable Edward Markey
U.S. House of Representatives
Washington, DC 20515

Congress of the United States
House of Representatives
Washington, D.C. 20515
November 27, 2001

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 01-0650
RECEIPT DATE:
12-3-01
DUE DATE:
12-17-01

Mr. Steven Wright
Acting Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, L-7, P-6,
T/Ditt2 PAT / BART

Dear Mr. Wright:

As you are probably aware, the House Energy and Commerce Committee's Subcommittee on Energy and Air Quality is expected to consider electricity restructuring legislation shortly. One of the most important issues that such legislation will have to address is the need to prevent a recurrence of the market-power abuses that plagued California and the West over the past eighteen months. It is particularly important that legislation address this issue because market-power abuses could occur anywhere in the United States where market-based rates apply.

Although the Federal Energy Regulatory Commission (FERC) has taken some steps to address market-power issues, Congress must thoughtfully revisit this important issue. For example, on November 20, FERC announced a new Supply Margin Assessment (SMA) screen, an interim generation market-power screen that will be applied to market-based rate applications pending a review of new analytical methods for analyzing market power. FERC further applied the SMA screen and found that AEP, Entergy, and Southern Companies have the ability to exercise market power. Therefore, to mitigate the application of market power, FERC ordered that these generators offer uncommitted capacity for spot market sales under a form of cost-based rates. While this approach may have merit, it is untested. Additionally, the past year has clearly demonstrated that under current law the FERC Chair has the ability to deny or delay federal action even when it is urgently needed.

In order to ensure that the Subcommittee has all the information it needs before taking up restructuring legislation, we would like to know what you think of various proposals that have been put forward to prevent the existence or exercise of market power.

Those proposals include the following:

- establishing regional bodies under federal law to oversee and regulate regional electricity markets;

- ensuring transparency and reliability either by providing state regulators and the public with access to real-time transmission and other operating data or by establishing national or regional market-monitoring commissions with access to such data;

- conditioning the ability to sell power at market-based rates upon a finding by FERC that the seller does not have or has adequately mitigated market power;

- allowing FERC to order the divestiture or transfer of generation or transmission facilities in order to remedy market-power abuses;

- strengthening FERC's merger review authority;

- requiring FERC to establish comprehensive rules and procedures to ensure competitive wholesale markets and to actively monitor markets under its jurisdiction for any signs of market abuse or market-design flaws;

- requiring FERC to act upon complaints within a statutorily defined time-period; and

- clarifying FERC's authority -- or granting a new energy market regulatory agency authority -- over electricity trading markets and electricity traders comparable to the authorities which the Securities and Exchange Commission has over securities traders, investment companies, and investment advisors, and the Commodity Futures Trading Commission has over commodities traders and commodity pool operators.

We look forward to hearing from you at your earliest convenience. We would also be interested in any additional suggestions you may have about how we can ensure that deregulated electricity markets are free from market-power abuses. If you have any questions regarding this letter, please feel free to contact Greg Dotson on Mr. Waxman's staff at (202) 226-3976 or Jeff Duncan on Mr. Markey's staff at (202) 225-2836.

Sincerely,

Henry A. Waxman
Member of Congress

Edward J. Markey
Member of Congress

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

March 27, 2002

In reply refer to: KR-7C

The Honorable George Nethercutt, Jr.
U.S. House of Representatives
Washington, DC 20515-4705

Dear Congressman Nethercutt:

Thank you for your letter of March 7, 2002, endorsing a fish and wildlife habitat acquisition sponsored by the Rocky Mountain Elk Foundation. The South Fork Asotin Creek proposal is one of many projects the Northwest Power Planning Council (Council) is considering as part of the Blue Mountain Provincial Review. We expect the Council to provide its recommendations to Bonneville Power Administration (BPA) for our funding in the Blue Mountain Province sometime in April or May. BPA will announce its funding decision after receiving the Council's recommendations.

BPA weighs several factors in our funding decisions on individual projects in the Council's Provincial Review Process. In addition to our fish and wildlife mitigation responsibilities under the Northwest Power Planning Act, we consider our Endangered Species Act responsibilities under the National Marine Fisheries Service 2000 and the U.S. Fish & Wildlife Service Biological Opinions on the operation of the Federal Columbia River Power System. We also highly value the Independent Scientific Review Panel's (ISRP) assessment of a project's scientific merits. Finally, for projects such as the South Fork Asotin Creek, which are designed to meet our wildlife mitigation responsibilities, BPA uses our wildlife crediting policy. All of these will be important considerations in our ultimate funding decision on the South Fork Asotin Creek proposal.

BPA has worked effectively with the Council, the ISRP, and the Columbia Basin Fish and Wildlife Authority to solicit for and to select the projects that can best meet these objectives in the provincial reviews that have been completed to date. I would certainly expect that the pattern of collaboration we have established would continue into our work on the Blue Mountain Province.

Thank you for your interest and support of BPA's fish and wildlife mitigation and recovery efforts. If I can answer any questions for you, please contact me or have your staff contact Mark Shaw, at (503) 230-5239.

Sincerely,

Stephen J. Wright
Administrator and
Chief Executive Officer

GEORGE R. NETHERCUTT, JR.
5TH DISTRICT, WASHINGTON

COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEES:
AGRICULTURE
INTERIOR
DEFENSE
VICE CHAIRMAN

COMMITTEE ON SCIENCE
SUBCOMMITTEES:
ENERGY
SPACE AND AERONAUTICS

RECEIVED
MAR 18

Congress of the United States
House of Representatives
Washington, DC 20515–4705

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WASHINGTON, DC 20515
(202) 225–2006

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(509) 924–7775

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WALLA WALLA, WA 99362
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555 SOUTH MAIN STREET
COLVILLE, WA 99114
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http://www.house.gov/nethercutt (web)

March 7, 2002

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 02-0083
RECEIPT DATE: 3-18-02
DUE DATE: 4-1-02

Ms. Sarah McNary
Fish and Wildlife Director
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

Dear Sarah:

I appreciate the time and effort that Bonneville Power Administration has expended to meet its fish and wildlife mitigation responsibilities under the Northwest Power Planning Act. As a result of the Sub-basin Planning Process, many valuable projects have already been funded, and many future wildlife projects will come to fruition as well.

I have an interest in a particular fish and wildlife habitat acquisition (Project # 27025) in the Blue Mountains Province, sponsored by the Rocky Mountain Elk Foundation, entitled "Acquire South Fork Asotin Creek Property." I understand this project has passed review by the Independent Scientific Review Panel (ISRP), the Columbia Basin Fish and Wildlife Authority (CBFWA), and has been endorsed by the National Marine Fisheries Service (NMFS). The Asotin County Commission and U.S. Forest Service also support the proposal.

Acquisition of this property will protect critical habitat for both anadromous fish and wildlife in southeastern Washington. The acreage will provide an important link to wildlife lands currently owned and managed by the U.S. Forest Service and Washington Department of Fish and Wildlife (WDFW), greatly improving the management capability of both entities. Once placed in WDFW ownership, the property will provide public access to a myriad of outdoor recreation opportunities in close proximity to the twin cities of Lewiston and Clarkston.

I ask for your review and consideration of this proposal and encourage you to take this opportunity to work with the Rocky Mountain Elk Foundation and property owners in protecting this important habitat in Asotin County.

Cordially,

George R. Nethercutt, Jr.

GEORGE R. NETHERCUTT, JR.
Representative in Congress

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, KR-7, L-7, KE-4, KEW-4

THIS STATIONERY PRINTED ON PAPER MADE OF RECYCLED FIBERS

Taylor, Stephen

To: Chestnut

Sir,

Attached please find a grant letter of support you have been requested to sign by the Rocky Mountain Elk Foundation (RMEFregarding a BPA wildlife habitat acquisition proposal for 8600 acres in Asotin County. If approved, BPA would purchase the land from the current property owners and turn it over to the Elk Foundation. The Foundation would then return the land to wildlife habitat with native grasses, etc., and after three years, turn it over to the Washington Department of Fish and Wildlife for ultimate long-term land management.

The WDFW would pay property taxes to Asotin County for as long as the Department held the land, thus Asotin County would not lose any current property tax revenue. The Asotin County Commission has endorsed this proposal. WDFW currently owns land on three sides of this tract, so the contiguous nature of the plot would make for cost-effective management.

The land would be open to the public for recreation and hunting as all other WDFW land currently is (this differs from the U.S. Fish & Wildlife Service), providing increased opportunities for tourism in Asotin County.

I informed the Elk Foundation representative that you may have a problem supporting this proposal because BPA mitigation dollars will be used to buy land that will ultimately be turned over to a public agency. WDFW will pay property tax to Asotin County, but future sub-division of this land will most likely be prohibited (thus losing out on higher future tax revenue), and I know you are not favorable to placing more private land into public hands.

The RMEF normally raises private money to buy land to be used for habitat for elk and other wildlife. Once the land is purchased, they turn it over to public agencies for management, so this proposal is not an anomaly, except for the issue of using BPA dollars.

Please look over the material when you have a moment and contact me with any questions. You do have a lot of supporters in the Elk Foundation (which is primarily made up of hunters and sportsman), and they would greatly appreciate your support on this.

Thanks,

Steve Taylor

Steve Taylor
Field Representative
Congressman George R. Nethercutt, Jr.
920 W. Riverside Ave., Ste. 594
Spokane, WA 99201
(509) 353-2374
(509) 353-2412 (fax)
Stephen.Taylor@mail.house.gov

ROCKY MOUNTAIN ELK FOUNDATION

Rance Block
Northwest Lands Program Manager
9407 North Oakland Ct.
Newman Lake, WA 99025-8442
Phone: (509) 226-0388
Fax: (509) 226-3722
Email: rblock@rmef.org

RECEIVED MAR 7 2002

March 6, 2002

To: Steve Taylor

Subject: South Fork Asotin Creek Acquisition

Steve,

Thanks for your interest in our project. To better answer your questions about property taxes and public access, I spoke this morning with John Andrews, Region 1 Director for Washington Department of Fish and Wildlife (WDFW).

On the subject of property taxes, Mr. Andrews wasn't sure whether it was state law or WDFW policy, but he said " We haven't even discussed or considered not paying property taxes on our department lands. Local support is an important element of our management strategy for these public lands, and paying taxes is part of being a good neighbor".

On the subject of public access, he stated the following; "WDFW has a mandate that public access is rated on equal footing with habitat and resource value in terms of priority." This isn't the case with the U.S. Fish and Wildlife Service, who have primarily a resource protection mandate. Mr. Andrews further stated "Public access is a significant and ongoing component of the management plan for the Asotin Creek Wildlife Management Area." He discussed the cooperative, seasonal road closure that now exists on the ranch property we are trying to acquire. The seasonal road closure is "..aimed at reducing vehicle traffic during periods of the year such as winter and early spring when the wintering elk might be driven from this open, shrub steppe habitat by vehicular traffic." He went on to note that in the future, walk-in traffic would still be allowed during the road closure, and once opened to the public in late spring, the road remains open to vehicles through summer and hunting season.

He made one last comment you might pass on to the Congressman. We are competing for funds in this region with projects from Oregon. If this project were funded, it would mean project money coming to the Congressman's district instead of going to Oregon.

Enclosed is a map of the property (you'll notice it is in two separate parcels), and the letter of support from the county commission.

I hope this provides the information you needed. Thanks in advance for your assistance,

Sincerely,

Rance Block
Northwest Lands Program Manager
Rocky Mountain Elk Foundation

BPA Project ID #27025

South Fork Asotin Creek Property

Proposal submitted to BPA by the Rocky Mountain Elk Foundation.

Property Description

- Contains 8,500 acres in two parcels.
- Located approximately 15 miles southwest of Clarkston, WA.
- Comprised of shrub-steppe rangeland, with 1,480 acres of CRP/cropland, 40,000 lineal feet of stream waterfront.
- Contains some of the state's best remaining shrub-steppe rangeland.
- South Fork of Asotin Creek runs for approximately 2 miles across one portion of the property, while George Creek runs for about 1.5 miles across the other portion.
- Bordered on three sides by national forest and state-owned lands.
- Habitat supports 250-400 wintering elk, mule deer, chukars, songbirds, bald eagles, and bighorn sheep.
- Property under consideration as potential sharptail grouse restoration site.
- Area streams support ESA-listed stocks of summer steelhead, spring Chinook salmon and bull trout, along with native redband and resident rainbow trout.

Conservation Goals: Link to Regional Programs

The South Fork Asotin Creek acquisition will reflect many goals for the Asotin Creek Subbasin, including:

1. Restore & protect anadromous fish in Asotin Creek watershed.
2. Expand elk habitat base and acquire private lands that provide critical elk winter range.
3. Improve habitat through forage enhancement.
4. Continue noxious weed control efforts.
5. Implement plans that address water quality issues.
6. Coordinate habitat protection, management and restoration with various state, federal and private land managers.
7. Provide public recreational opportunities.

Department of Energy
Washington, DC 20585

OFFICE OF CONGRESSIONAL AND INTERGOVERNMENTAL AFFAIRS
SENATE / HOUSE LIAISON

FACSIMILE TRANSMITTAL

TO: Paul Kavinoky
Representative George Nethercutt's office

FAX: 225-3392 **PHONE: 225-2006**

FROM: Joyce Brady

PHONE: (202) 586-2770

FAX: (202) 586-0143

MESSAGE:

THIS FAX CONSISTS OF_____ NUMBER OF PAGES EXCLUDING THIS SHEET!

Conservation Strategies: Acquisition, Management & Enhancement

Working in cooperation with the Washington Department of Fish and Wildlife (WDFW) to meet sub basin goals, the Rocky Mountain Elk Foundation's strategy for the South Fork Asotin Creek project includes:

1. Acquiring and protecting 8,500 acres of key high-elevation, shrub-steppe habitat.
2. Improving spawning and rearing habitat for summer steelhead in George Creek and South Fork Asotin Creek.
3. Lowering stream temperatures enough to encourage the return of spring Chinook in the mainstem of Asotin Creek.
4. Blocking up public ownership of critical elk winter range, as well as mule deer and bighorn sheep habitat, thereby increasing the chance of management success for both the Washington Department of Fish and Wildlife and the Umatilla National Forest.
5. Implementing monitoring and evaluation procedures to include presence and use by anadromous and resident fish, stream quality, vegetative recovery, and wildlife use.
6. Developing a management plan consistent with plans for adjacent private, state and federal lands.
7. Implementing habitat restoration projects to address both immediate and long-term habitat health issues, including weed control, fencing, plantings, etc.
8. Incorporating public educational and recreational opportunities for the property into the management plan.
9. After 3 years, turn ownership of the property over to WDFW.

Relationship to Other Projects & Management Plans

The South Fork Asotin Creek project ties into the goals and actions of other projects and plans, including:

- Asotin Creek Model Watershed Plan.
- Blue Mountains Elk Herd Plan.
- Columbia Basin Fish and Wildlife Program.

DON SCHEIBE
COMMISSIONER, FIRST DISTRICT
CLARKSTON, WASHINGTON

DON BROWN
COMMISSIONER, SECOND DISTRICT
CLARKSTON, WASHINGTON

ASOTIN COUNTY
STATE CORNERSTONE

GORDON D. REED
COMMISSIONER, THIRD DISTRICT
CLARKSTON, WASHINGTON

SANDY CUNNINGHAM
DIRECTOR, HUMAN RESOURCES
CLERK OF THE BOARD

P.O. BOX 250
ASOTIN, WASHINGTON 99402-0250
PHONE (509) 243-2060
FAX (509) 243-2005

December 10, 2001

Mr. Rance Block
9407 North Oakland Court
Newman Lake WA 99025-8442

Dear Mr. Block:

The Asotin County Commissioners fully support the proposed purchase of the Schlee property for wildlife enhancement.

As our population increases, the only way access to lands such as these for our children and grandchildren will be through plots such as these.

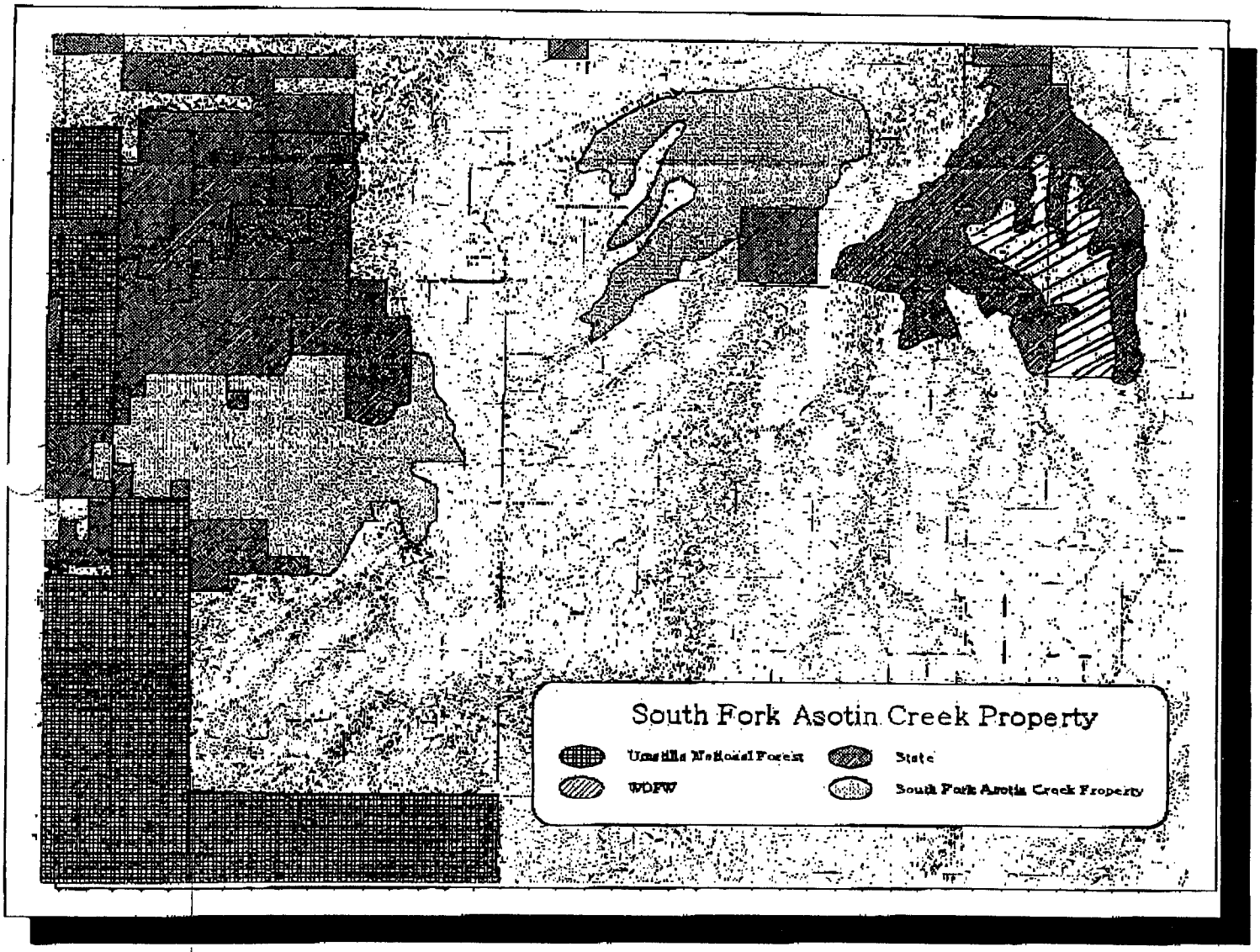
Sincerely,
ASOTIN COUNTY BOARD OF COMMISSIONERS

Don Scheibe, Chairman

Gordon D. Reed, Vice-Chairman

Don Brown, Member

F:\BOCC\2001corrsp\rranceblock.121001.wpd


South Fork Asotin Creek Property
Umatilla National Forest
State
WDFW
South Fork Asotin Creek Property

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

APR 2 2 2002

In reply refer to: KR-7C

The Honorable Patty Murray
United States Senator
601 West Main, Suite 1213
Spokane, WA 99201-0613

Dear Senator Murray:

Thank you for your letter of April 3, 2002, endorsing a fish and wildlife habitat acquisition sponsored by the Rocky Mountain Elk Foundation. The South Fork Asotin Creek proposal is one of many projects the Northwest Power Planning Council (Council) is considering as part of the Blue Mountain Provincial Review. We expect the Council to provide its recommendations to Bonneville Power Administration (BPA) for our funding in the Blue Mountain Province sometime in April or May. BPA will announce its funding decision after receiving the Council's recommendations.

BPA weighs several factors in our funding decisions on individual projects in the Council's Provincial Review Process. In addition to our fish and wildlife mitigation responsibilities under the Northwest Power Planning Act, we consider our Endangered Species Act responsibilities under the National Marine Fisheries Service 2000 and the U.S. Fish & Wildlife Service Biological Opinions on the operation of the Federal Columbia River Power System. We also highly value the Independent Scientific Review Panel's (ISRP) assessment of a project's scientific merits. Finally, for projects such as the South Fork Asotin Creek, which are designed to meet our wildlife mitigation responsibilities, BPA uses our wildlife crediting policy. All of these will be important considerations in our ultimate funding decision on the South Fork Asotin Creek proposal.

BPA has worked effectively with the Council, the ISRP, and the Columbia Basin Fish and Wildlife Authority to solicit for and to select the projects that can best meet these objectives in the provincial reviews that have been completed to date. I would certainly expect that the pattern of collaboration we have established would continue into our work on the Blue Mountain Province.

Thank you for your interest and support of BPA's fish and wildlife mitigation and recovery efforts. If I can answer any questions for you, please contact me or have your staff contact Mark Shaw, at (503) 230-5239.

Sincerely,

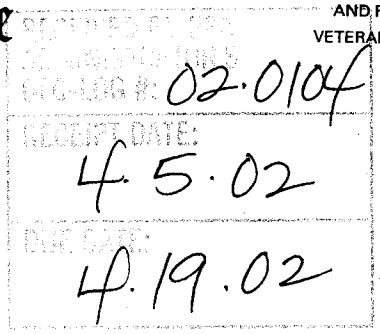
Stephen J. Wright
Administrator and
Chief Executive Officer

PATTY MURRAY
WASHINGTON

COMMITTEES:
APPROPRIATIONS
BUDGET
HEALTH, EDUCATION, LABOR AND PENSIONS
VETERANS' AFFAIRS

United States Senate

WASHINGTON, DC 20510–4704



April 3, 2002

Steven J. Wright
Administrator
Bonneville Power Administration
905 NE 11th Ave.
PO Box 3621
Portland, Oregon 97208-3621

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, L-7, KE-4, KEW-4, Rob Swedo-KR/Spokane

Dear Steve:

I have recently received an inquiry from the Rocky Mountain Elk Foundation with regard to a wildlife mitigation project they have proposed. The Foundation has written to me expressing concern with the Bonneville Power Administration's recommendation regarding funding for project #27025.

I would ask that you consider the Rocky Mountain Elk Foundation's concerns as you work to fulfill BPA's wildlife mitigation responsibilities. Please direct your questions and response to Judy Olson in my Spokane office at (509) 624-9515. Thank you for your attention to this matter.

Sincerely,

Patty Murray

Patty Murray
United States Senator

PM\jo

FAX (509)624-9561

2930 WETMORE AVENUE
SUITE 903
EVERETT, WA 98201–4107
(425) 259–6515

2988 JACKSON FEDERAL BUILDING
915 2ND AVENUE
SEATTLE, WA 98174–1003
(206) 553–5545

~~601~~ WEST MAIN
SUITE 1213
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(509) 624–9515

140 FEDERAL BUILDING
500 W. 12TH STREET
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YAKIMA, WA 98901–2760
(509) 453–7462

PRINTED ON RECYCLED PAPER
Internet: senator_murray@murray.senate.gov
worldwide web: http: //www.senate.gov/~murray/

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Official File

EXECUTIVE OFFICE

APR 29 2002

In reply refer to: KR-7C

The Honorable Greg Walden
Second Congressional District of Oregon
District Office
843 East Main Street, Suite 400
Medford, OR 97504

Dear Congressman Walden:

Thank you for forwarding the inquiry from your constituent, Thomas E. Bailey, of the Board of Directors for The Dalles Irrigation District (District). The District's power is generated at the Corps of Engineers' (Corps) The Dalles Dam. The District purchases this power from the Bureau of Reclamation (BOR) via contract. Mr. Bailey is concerned because the District's 2002 rates for power at the project have nearly doubled.

Bonneville Power Administration (BPA) responded to an initial letter, which you forwarded from Mr. Bailey, on December 7, 2001. In that letter, I explained the methodology for calculating the rate and the reasons that the rate has gone up significantly this year. We offered to meet with the District and your staff; however I understand that the District has declined the offer.

Mr. Bailey's second letter simply asks whether follow-up meetings with the BOR have occurred and, if so, what the outcome was. In fact, BPA, Corps, and BOR staff have been meeting over the past couple of months to clarify the costs that were allocated to the rate and decide on the next steps. The result of our investigation is that the costs included in the rate are properly allocable to irrigation pumping power and energy.

Part of the problem here is that the rate is recalculated only once every five years or more. Costs can change and accumulate significantly over that period of time. Unfortunately, it appears that the District was not aware that it's rate would be significantly affected by changing circumstances, and apparently got a rude shock when they did discover it.

We would like to avoid these surprises in the future. To that end, I understand that BOR has suggested a billing approach to the District that would allow for annual updates. We will be working with BOR to find an acceptable approach to providing regular information on cost recovery and billing adjustments for each season.

I regret that this does not solve the economic problem the District is now facing. BPA is working very hard to help shield its customers from the impacts of last year's drought and West Coast energy crisis, but all of our customers are struggling with power costs right now. We are doing everything we can to reduce our costs so that our own rates can be lower.

I hope this is responsive to your request. Should you have any further questions, please contact me or have your staff contact Anne Morrow, Oregon Constituent Account Executive, at (503) 230-3100. Thank you for your letter.

Sincerely,

/s/ Margo C Nelson

for Stephen J. Wright
Administrator and
Chief Executive Officer

COMMITTEES:

ENERGY AND COMMERCE
ENERGY AND AIR QUALITY
COMMERCE, TRADE, AND CONSUMER PROTECTION
ENVIRONMENT AND HAZARDOUS MATERIALS

RESOURCES
WATER AND POWER

Congress of the United States
House of Representatives

GREG WALDEN
2D DISTRICT, OREGON
ASSISTANT MAJORITY WHIP

WASHINGTON, DC OFFICE:
1404 LONGWORTH BUILDING
WASHINGTON, DC 20515-3702
TELEPHONE: (202) 225-6730

DISTRICT OFFICES:
843 EAST MAIN STREET
SUITE 400
MEDFORD, OR 97504
TELEPHONE: (541) 776-4646
TOLL FREE: (800) 533-3303

JAMISON BUILDING
SUITE 211
131 NW HAWTHORNE STREET
BEND, OR 97701
TELEPHONE: (541) 389-4408

WEBSITE:
http://www.walden.house.gov

E-MAIL:
greg.walden@mail.house.gov

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 02-002
RECEIPT DATE: 2-14-02
DUE DATE: 2-28-02

February 14, 2002

Mr. Stephen Wright
Administrator
Bonneville Power Administration
905 Northeast 11th Avenue
PO Box 3621
Portland, Oregon 97208

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, L-7, P-6,
Rick Itami-PSE/Spokane,
Dan Bloyer-PSE/Bend

Dear Mr. Wright:

I have recently been contacted by my constituent, Thomas Bailey of The Dalles Irrigation District, regarding his concerns with your agency.

My constituent has provided me with the enclosed letter that details his situation. I appreciate your attention to this matter in order to ensure that it is resolved in a timely fashion.

Thank you for your prompt attention to my inquiry. I look forward to hearing from you at my district office in Medford, Oregon.

Sincerely,

Greg Walden
Member of Congress

GW/sg

Enclosure

February 7, 2002

From; Thomas E. Bailey
The Dalles Irrigation District
Member, Board of Directors
3570 Olney Road
The Dalles, OR 97058
Tbailey@gorge.net

To: Greg Walden
Member of Congress

Dear Greg Walden;

Thank You for Your letter January 14, 2002 with the response from Bonneville Power Administration (BPA).

We at The Dalles Irrigation District were told that Bonneville Power Administration and The Bureau of Reclamation were to meet in mid January to resolve the power rate questions regarding the rate charged to The Dalles Irrigation District. We understand that the meeting took place but that no decision was reached.

We will start Our Irrigation season on March 11, 2002 and begin pumping water. We would very much like to have this matter resolved as soon as possible.

Thank You:

Tom

Thomas E. Bailey

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

MAY 10 2002

In reply refer to: KR-7C

The Honorable Ron Wyden
United States Senate
Washington, DC 20510-3704

Dear Senator Wyden:

Thank you for your letter of April 18, 2002, endorsing the work of the Earth Conservation Corps' Salmon Corps and supporting their request for $100,000 in funding from Bonneville Power Administration (BPA) in 2002.

BPA has been impressed with the work that the Salmon Corps has accomplished to mitigate and recover fish and wildlife. This organization provides great opportunities for young Native Americans to learn about and help preserve the environment, and this makes an important contribution to the future of the Pacific Northwest.

Our tribal relations staff recently authorized a $30,000 grant from its budget for the Salmon Corps Education Program for 2002. I understand that this amount is less than the Salmon Corps was hoping to receive from BPA for those purposes. Unfortunately, BPA is struggling to manage its costs. As you probably have heard, BPA expects to lose money this year for the second year in a row. We must carefully prioritize our expenditures.

I have another avenue to suggest. The Northwest Power Planning Council (Council), in connection with BPA, currently has a solicitation open for fish and wildlife projects in the mainstem Columbia and the mainstem Snake Rivers. The Mainstem/Systemwide solicitation is open through June 3, 2002. Projects that are submitted for the Council's Fish and Wildlife Program are reviewed by the Independent Scientific Review Panel for clear biological objectives and scientific merits. While the Salmon Corps has historically worked with our tribal staff, obviously their efforts are germane to mitigation and recovery of fish and wildlife as well as the more general issues and goals for Native Americans. The Salmon Corps may want to consider this option for seeking BPA funding through the fish and wildlife program. The Council has information about the Mainstem/Systemwide solicitation on the internet at http://www.cbfwa.org/reviewforms/systemwide.

In addition, as you state in your letter, the Salmon Corps is a partnership. It receives funding from other federal and private sources, and they should be encouraged to match our award. BPA has encouraged the Salmon Corps to expand its program and include Native American youth

from Tribes throughout the Pacific Northwest, which might be helpful in garnering broader support for this project.

While I understand that the current BPA funding for the Salmon Corps may not completely meet their needs, we certainly encourage the Salmon Corps to seek supplemental funding, including through the Council's Mainstem/Systemwide solicitation. Thank you for your continued support and assistance.

Sincerely,

Stephen J. Wright
Administrator and
Chief Executive Officer

EXECUTIVE SECRETARIAT'S CONTROL #: 02-0124
RECEIPT DATE: 4-19-02
DUE DATE: 5/3-02
10

United States Senate

WASHINGTON, DC 20510

April 18, 2002

Stephen J. Wright
Administrator
Bonneville Power Administration
905 N.E. 11th
Portland, Oregon 97232

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, KR-7, L-7, KE-4, KEW-4

Dear Steve:

We are writing to express our support for the partnership between the Department of Energy (DOE) and the Earth Conservation Corps' Salmon Corps, an organization which educates and trains young adults from Native American and urban communities to protect and restore the environment of the Pacific Northwest.

Since 1994, Salmon Corps members have released over 8.5 million anadromous and resident fish, built over 420 miles of riparian fence, and planted over 450,000 native trees, as well as native vegetation. This would not have been possible without the continued support of DOE.

In 2000, DOE transferred this partnership from DOE Hanford to the Bonneville Power Administration. We understand that BPA provided Salmon Corps with $40,000 in 2000 and $50,000 in 2001. Salmon Corps has requested a funding level of $100,000 for 2002 to provide Corps members the education and training necessary to complete critical environmental restoration projects.

As members of the Senate Committee on Energy and Natural Resources, we point with pride to the Salmon Corps partnership as a model of effective public/private collaboration. We urge you to continue this dynamic partnership and support Salmon Corps' current funding request of $100,000.

Please free to contact either of us regarding this matter.

Sincerely,

Gordon H. Smith
United States Senator

Ron Wyden
United States Senator

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

May 10, 2002

In reply refer to: KR-7C

The Honorable Gordon Smith
United States Senate
Washington, DC 20510-3704

Dear Senator Smith:

Thank you for your letter of April 18, 2002, endorsing the work of the Earth Conservation Corps' Salmon Corps and supporting their request for $100,000 in funding from Bonneville Power Administration (BPA) in 2002.

BPA has been impressed with the work that the Salmon Corps has accomplished to mitigate and recover fish and wildlife. This organization provides great opportunities for young Native Americans to learn about and help preserve the environment, and this makes an important contribution to the future of the Pacific Northwest.

Our tribal relations staff recently authorized a $30,000 grant from its budget for the Salmon Corps Education Program for 2002. I understand that this amount is less than the Salmon Corps was hoping to receive from BPA for those purposes. Unfortunately, BPA is struggling to manage its costs. As you probably have heard, BPA expects to lose money this year for the second year in a row. We must carefully prioritize our expenditures.

I have another avenue to suggest. The Northwest Power Planning Council (Council), in connection with BPA, currently has a solicitation open for fish and wildlife projects in the mainstem Columbia and the mainstem Snake Rivers. The Mainstem/Systemwide solicitation is open through June 3, 2002. Projects that are submitted for the Council's Fish and Wildlife Program are reviewed by the Independent Scientific Review Panel for clear biological objectives and scientific merits. While the Salmon Corps has historically worked with our tribal staff, obviously their efforts are germane to mitigation and recovery of fish and wildlife as well as the more general issues and goals for Native Americans. The Salmon Corps may want to consider this option for seeking BPA funding through the fish and wildlife program. The Council has information about the Mainstem/Systemwide solicitation on the internet at http://www.cbfwa.org/reviewforms/systemwide.

In addition, as you state in your letter, the Salmon Corps is a partnership. It receives funding from other federal and private sources, and they should be encouraged to match our award. BPA has encouraged the Salmon Corps to expand its program and include Native American youth

from Tribes throughout the Pacific Northwest, which might be helpful in garnering broader support for this project.

While I understand that the current BPA funding for the Salmon Corps may not completely meet their needs, we certainly encourage the Salmon Corps to seek supplemental funding, including through the Council's Mainstem/Systemwide solicitation. Thank you for your continued support and assistance.

Sincerely,

Stephen J. Wright
Administrator and
Chief Executive Officer

United States Senate

WASHINGTON, DC 20510

April 18, 2002

CONFIDENTIAL DOCUMENT
ADMINISTRATOR'S
CTC LOG #: 02·0121
RECEIPT DATE: 4·19·02
DUE DATE: 5·~~3~~·02 10

Stephen J. Wright
Administrator
Bonneville Power Administration
905 N.E. 11th
Portland, Oregon 97232

ASSIGN: KR-7C
cc: A-7, D-7, KN/Wash, KR-7, L-7, KE-4, KEW-4

Dear Steve:

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In 2000, DOE transferred this partnership from DOE Hanford to the Bonneville Power Administration. We understand that BPA provided Salmon Corps with $40,000 in 2000 and $50,000 in 2001. Salmon Corps has requested a funding level of $100,000 for 2002 to provide Corps members the education and training necessary to complete critical environmental restoration projects.

As members of the Senate Committee on Energy and Natural Resources, we point with pride to the Salmon Corps partnership as a model of effective public/private collaboration. We urge you to continue this dynamic partnership and support Salmon Corps' current funding request of $100,000.

Please free to contact either of us regarding this matter.

Sincerely,

Gordon H. Smith
United States Senator

Ron Wyden
United States Senator

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

May 17, 2002

In reply refer to: A-7

The Honorable Ron Wyden
United States Senate
Washington, D.C. 20510

Dear Senator Wyden:

Thank you for your letter regarding the recent testimony of Enron Vice President, Richard Sanders. You asked whether BPA has sold any non-firm power products or non-firm transmission services to Enron.

We are deeply disturbed about the kind of practices described by former Enron officials in the Wednesday hearing. Power markets are dependent upon a certain amount of trust. The reliability of the entire power system, and, therefore, public health and safety, requires that electricity products in fact have the characteristics that are claimed. To misrepresent such products compromises the electric power system upon which we all depend.

BPA's secondary, or surplus power, products are sold as "firm," in that they are non-interruptible as defined by North American Electric Reliability Council (NERC) standards. Some parties in the market may erroneously refer to certain BPA sales of energy as "non-firm" because BPA frequently includes the right to recall the power on 60 days' notice for Northwest use, but this provision does not make a power transaction non-firm.

BPA's Transmission Business Line (TBL), however, sells both firm and non-firm transmission service. Enron has made frequent purchases of non-firm transmission service. We are not privy to the manner in which Enron combines and markets products purchased separately from BPA's business lines and from other parties, but it is certainly possible that a firm BPA power product could have been delivered with a non-firm transmission product and the package mischaracterized as having a higher quality than it actually has.

You also asked for estimated savings to Northwest ratepayers should BPA be able to void its contracts with Enron. If BPA's existing contracts with Enron could be terminated without any further consideration, then BPA could realize a savings of approximately $240 million over the next 5 years, based on the cost of replacing those transactions in the current forward power markets.

Sincerely,

Stephen J. Wright
Administrator and
Chief Executive Officer

RON WYDEN
OREGON

516 Hart Senate Building
Washington, DC
20510–3703
(202) 224–5244

web site:
http://wyden.senate.gov/

United States Senate

WASHINGTON, DC 20510–3703

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 02-0160
RECEIPT DATE:
5-16-02
DUE DATE:
5-30-02

May 16, 2002

Mr. Steve Wright, Administrator
Bonneville Power Administration
Box 3621
Portland, Oregon 97208

ASSIGN: KR-7C
cc: FO3, KN/Wash, KR-7, P-6, PT-5, Anne Morrow-KR-7C

Dear Steve:

At yesterday's hearing of the Senate Commerce Committee's Consumer Subcommittee, Enron Vice President Richard Sanders admitted that Enron bought BPA non-firm power and then turned around and sold the same power claiming it was firm power. I would appreciate if you could review BPA's sales of power to Enron and let me know if BPA sold any non-firm power as Enron's vice president admitted at yesterday's hearing and, in addition, if BPA sold any transmission services on a non-firm basis.

Also, could you please provide me with an estimate of the savings to Northwest ratepayers if BPA were able to get out from under its overpriced contracts with Enron because Enron engaged in fraud or other schemes to manipulate West Coast energy markets.

Thank you for your prompt attention to this request.

Sincerely,

Ron Wyden

RON WYDEN
United States Senator

Committees:

Budget
Commerce, Science & Transportation
Energy & Natural Resources
Environment & Public Works
Select Committee on Intelligence
Special Committee on Aging

Oregon State Offices:

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Sac Annex Building
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U.S. Courthouse
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Room 118
Medford, OR 97501
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The Jamison Building
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Bend, OR 97701
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707 13th St, SE
Suite 285
Salem, OR 97301
(503) 589–4555

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Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

June 4, 2002

In reply refer to: A-7

The Honorable Ron Wyden
United States Senate
Washington, D.C. 20510

Dear Senator Wyden:

This is in response to your letter of May 24, 2002, asking what steps Bonneville Power Administration (BPA) plans to take to terminate its contracts with Enron Corporation.

Earlier today, BPA responded to a motion filed by the City of Tacoma at the Federal Energy Regulatory Commission (FERC) to reopen the Northwest Refund Proceeding. In that filing, BPA urged FERC to separately and aggressively investigate wrongful conduct, including illegal market manipulation, and to provide meaningful and appropriate relief. FERC must assure market participants that such conduct will be punished. BPA suggested to FERC that an appropriate remedy for improper or illegal manipulation of markets that results in unjust, unreasonable or unduly discriminatory rates would be for FERC to provide blameless and aggrieved counter-parties the option to either terminate the contracts or renegotiate them.

In the filing, BPA stated that it believed, for a number of reasons, that re-opening the Northwest Refund Proceeding would not be the most efficacious way to address the concerns raised by the City of Tacoma and other parties. We believe that the issue of utilities' contracts with Enron needs to be treated comprehensively – not as an add-on to another proceeding that had a different focus. BPA will cooperate fully in the Commission's investigation. We are also considering additional FERC filings specifically related to our Enron contracts.

We also are pursuing other actions. Earlier this year, BPA unilaterally terminated two Enron contracts where we believed we had an unequivocal right to do so. The value of those terminations to our ratepayers was over $100 million at current market prices. We have been closely monitoring the Enron situation since December and preparing for a wide range of possible outcomes.

Please be assured that BPA is aggressively pursuing all options related to its Enron contracts. We will do the best thing for the Northwest ratepayers.

Thank you for your concern and attention to this issue. If I can answer other questions, please contact me.

Sincerely,

Stephen J. Wright
Administrator and
Chief Executive Officer

RON WYDEN
OREGON

516 Hart Senate Building
Washington, DC
20510-3703
(202) 224-5244

web site:
http://wyden.senate.gov/

United States Senate

WASHINGTON, DC 20510-3703

02-0171
DATE: 6.24.02
DATE: 6.30.02

May 24, 2002

Mr. Steve Wright, Administrator
Bonneville Power Administration
Box 3621
Portland, Oregon 97208

ASSIGN: KR-7C
cc: FO3, KN/Wash, L-7, P-6, T/Ditt2, KC-7, AMorrow-KR-7C

Dear Steve:

In light of Bonneville's current financial difficulties and the prospects of additional rate increases for Northwest consumers later this year, I want to know what steps you plan to pursue to get the Bonneville Power Administration (BPA) and Northwest ratepayers out from under the $700 million of contracts BPA entered into with Enron Corporation that are well above the current market prices for power in the region.

As you know, other major Northwest utilities have petitioned the Federal Energy Regulatory Commission (FERC) seeking to have long-term contracts they entered into during the West Coast energy crisis voided or reformed on the grounds that the power prices in these contracts are not just and reasonable based on current market prices. Many of these utilities petitions were filed even before the Enron memos were uncovered that describe a variety of schemes Enron used to manipulate West Coast energy markets. Now with the mounting evidence that Enron and other energy traders engaged in practices to manipulate West Coast power markets and drive up prices throughout the West, combined with FERC Chairman Pat Wood's statement to the Senate Energy Committee that rates associated with market manipulation are not "just and reasonable," it would seem that BPA has even stronger grounds now to seek relief for Northwest ratepayers from FERC. Yet, to date, BPA has not filed a petition to FERC seeking to reform its overpriced contracts with Enron.

I do not understand why BPA has not aggressively pursued this option since the Enron memos came to light more than two weeks ago. Accordingly, I am asking you to provide a written explanation of either BPA's plans to petition FERC to reform the $700 million of overpriced Enron contracts or why BPA believes this is not an appropriate action to take. I ask that you respond by May 30.

Thank you for your prompt attention to this important issue.

Sincerely,

Ron Wyden

RON WYDEN
United States Senator

Committees:

Budget
Commerce, Science & Transportation
Energy & Natural Resources
Environment & Public Works
Select Committee on Intelligence
Special Committee on Aging

Oregon State Offices:

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U.S. Courthouse
310 West 6th St
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The Jamison Building
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Bend, OR 97701
(541) 330-9142

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Salem, OR 97301
(503) 589-4555

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Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

June 25, 2002

In reply refer to: KR-7C

The Honorable Patty Murray
United States Senate
Washington, D.C. 20510

Dear Senator Murray:

The Secretary of Energy has forwarded your letter to him of May 20, 2002, to the Bonneville Power Administration (Bonneville) for a reply. In the letter, you express concerns about McCook Metals' plans for the Longview Aluminum Plant.

Bonneville entered into the Curtailment Agreement with Longview Aluminum, LLC (Longview) in the spring of 2001. Bonneville was seeking to reduce its exposure to the wholesale power market at a time of record high power prices and severe Northwest drought. The agency paid Longview $226 million to forego its Bonneville power supply through June 30, 2002.

Bonneville understands from the United Steelworkers of America (USWA) that Longview stopped paying "at least some" of its workers as of April 1, 2002. While we are not familiar with the rationale or circumstances surrounding Longview's decision to stop paying some of its employees, Bonneville is very concerned about reports that Longview may not be complying fully with its commitments. Section 9 of the Curtailment Agreement requires Longview to provide compensation and benefits through June 30, 2002, to employees who were laid off due to the curtailment. In addition, at the time the Curtailment Agreement was executed, Bonneville and USWA representatives jointly determined that the details of Longview's compensation obligations to its laid-off workers would be specified in agreements between Longview and the USWA. Bonneville is not a party to those agreements.

Your letter asks whether McCook (or Longview) "accurately represent[ed] its intentions to restart the plant" when negotiating its current power contract with Bonneville. As part of the negotiations leading to the Agreement, Longview did state its intention to restart the plant at the end of the curtailment. However, the Power Sales Agreement (which extends through September 30, 2006) does allow the facility to curtail production, as long as Bonneville is made whole for any power not used by Longview. Bonneville did not conduct an extensive financial review prior to execution of the Power Sales Agreement, primarily because Bonneville did not have a policy at that time limiting service to Direct Service Industrial customers based on a financial review.

At the time the Curtailment and Power Sales Agreements were signed, Longview did indicate that it intended for some of the curtailment proceeds to be used to develop its own sources of generation to meet the smelter's power needs after 2006. Our contract with Longview lists spending on new generation as one of the allowed uses of the funds, but does not require any particular amount to be spent in that way. We are not aware of any such spending by Longview to date. Largely because of the expectation that Longview would become energy-independent, the Power Sales Agreement specifies very clearly that federal power service to the plant will not continue past September 2006.

Consistent with the Curtailment Agreement, Bonneville is in the process of reviewing Longview's use of the proceeds from the Agreement to ensure those proceeds were used for approved purposes. Longview has been very slow to respond to Bonneville's requests for information. We will do everything possible to make the findings public.

Bonneville has tried, with the curtailment agreements, to help preserve the long-term operation of the Northwest's aluminum plants. A key part of this strategy was to retain a skilled workforce and to help make plant operations more efficient. Unfortunately, with current power prices and low aluminum prices, the future of the Longview plant remains unclear.

I trust this is responsive to your concerns. If I can answer other questions, please contact me or have your staff contact Mark Miller, Longview Account Executive, at 503-230-4003.

Sincerely,

Stephen J. Wright
Administrator and
Chief Executive Officer

cc:
The Honorable Maria Cantwell
United States Senate
Washington, D.C. 20510

The Honorable Brian Baird
United States House of Representatives
Washington, D.C. 20515

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 02-0167
RECEIPT DATE:
5-20-02
DUE DATE:
6-3-02

Congress of the United States

Washington, DC 20510
May 20, 2002

The Honorable Spencer Abraham
Secretary of Energy
1000 Independence Ave., SW
Room 7B-252
Washington DC 20585

ASSIGN: KR-7C
cc: FO3, KN/Wash, P-6, PT-5,
MMiller-PT-5, APaschke-TM/Ditt2

Dear Secretary Abraham:

We are writing with deep concerns about the uncertainty surrounding McCook Metals' plans for the Longview Aluminum Plant, including the company's announcement that it will not further compensate its workforce as required in its contract with the Bonneville Power Administration (BPA).

In the spring of 2001, McCook Metals of Chicago purchased this facility, and agreed to a $225 million payment from BPA in order to curtail power delivery through April of this year. In agreeing to curtail deliveries from BPA, McCook entered into a contract stipulating that employees be compensated through July 1, 2002. At the time the agreement was reached, BPA stated that the parties had agreed that McCook would use these revenues to, among other things, "provide full wages and benefits to its employees for the duration of the curtailment." It is our understanding that Section 9 of the contract between BPA and McCook obligates the aluminum company to compensate its employees. This provision is intended to ensure that, to the extent possible, the Pacific Northwest retain a qualified aluminum workforce and modern aluminum manufacturing capacity at times when production has been temporarily curtailed.

As you know, most of the other Northwest aluminum companies shared with BPA 25 percent to 30 percent of their profits from curtailment and remarketing of electricity, to help lower electricity rates in the region during the past year's Western energy crisis. These companies also continued to compensate or employ virtually all their affected employees at full wages during the curtailment period, as required under their contracts with BPA. And, most importantly, many of these companies had the foresight to use a substantial amount of their profits to make investments that would help ensure continued production.

McCook Metals has informed at least some workers that they will not receive any benefits or pay after April 1 and has failed to announce any plans or timetable to restart the aluminum plant. McCook has also failed to fully disclose how it has spent the $225 million in curtailment revenues, which is also required under Section 9 of its contract with BPA.

Given the uncertainty over how these proceeds have been spent and the belief that McCook has violated the spirit of its agreement with BPA, we urge you to conduct an audit of these funds and

make the results available to the public. In doing so, we hope you will also answer the following questions:

- Was the initial sale of Longview Aluminum to McCook Metals predicated on a commitment by McCook to produce aluminum? How does their failure to produce any aluminum impact either their future access to BPA power or their past compensation for curtailment?
- Did McCook accurately represent its intentions to restart the plant in negotiating its current power contracts with BPA? Please detail the extent of BPA's or DOE's review of McCook's financial status prior to entering into the current power contract.
- Did McCook honor its commitment to BPA and workers with regard to the contract's Section 9 provisions?
- What legal remedies are available to BPA or DOE, to hold McCook accountable to its contractual obligations?

Please feel free to contact our staff if you need any additional information. Thank you very much for your consideration and we look forward to your response.

Sincerely,

Maria Cantwell
U.S. Senator

Brian Baird
U.S. Representative

Patty Murray
U.S. Senator

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

AUG 0 1 2002

In reply refer to: KR-7C

The Honorable Michael D. Crapo
United States Senator
304 North 8th Street, Room 338
Boise, ID 83702

Dear Senator Crapo:

Thank you for your letter dated July 1, 2002, regarding the operation of Dworshak Reservoir and the effects of draw downs at the reservoir on the local economy.

While I have not received a copy of the recent study you reference, I am sensitive to the impacts that reservoir levels have on a recreation-based economy. As you are aware, Dworshak Dam was completed in 1973, with authorized uses being flood control, power generation, navigation, recreation, and fish and wildlife. The National Marine Fisheries Service (NMFS) 2000 Biological Opinion on Federal Columbia River Power System (FCRPS) operations expects specific river operations to aid in the survival and recovery of endangered salmon species. These include drafting Dworshak Reservoir at certain times in order to provide flow augmentation and temperature benefits for juvenile salmon migrating in the lower Snake River. The federal agencies responsible for operation of the FCRPS, in consultation with states, tribes and other affected groups, must continually balance operations for endangered fish with the many other uses of the Dworshak project.

I would welcome the opportunity to hear and discuss your ideas on ways to address these difficult challenges. I would request that federal executives from NMFS and the U.S. Army Corps of Engineers also be present at this meeting.

Thank you for your letter. I look forward to our meeting.

Sincerely,

Stephen J. Wright
Administrator and
Chief Executive Officer

MIKE CRAPO
U.S. SENATOR
IDAHO

DEPUTY REPUBLICAN WHIP
CO-CHAIRMAN, WESTERN WATER CAUCUS
CO-VICE CHAIRMAN, SPORTSMEN'S CAUCUS

Internet/e-mail:
http://crapo.senate.gov

United States Senate

WASHINGTON, DC 20510

COMMITTEES:
ENVIRONMENT AND PUBLIC WORKS
BANKING, HOUSING, AND URBAN DEVELOPMENT
AGRICULTURE
SMALL BUSINESS
JOINT ECONOMIC

RECEIVED BY BPA ADMINISTRATOR'S OFFICE
LOG #: 02-0199
RECEIPT DATE: 7-2-02
DUE DATE: 7-17-02
Assign: KR-7-C
cc: F03, KE, KN/DC, KR, KR/Boise, PG

July 1, 2002

Steve Wright, Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

Dear Steve:

I recently received a copy of *The Economic Impact of Dworshak Reservoir Drawdowns on the Clearwater County Regional Economy.* This study is the research results obtained by Steven Peterson and Michael DiNoto, University of Idaho economists affiliated with the *Center for Business Development and Entrepreneurship.* It was sponsored by Clearwater County and financially supported by the Economic Development Administration at my request.

It is generally agreed that when the Federal Government proposed the construction of Dworshak Reservoir, a commitment was made to local citizens that the reservoir levels would remain high from Memorial Day to Labor Day. This would stimulate the development of a recreation-based economy, and new jobs would follow. This commitment was made in good faith, but drawdowns have virtually eliminated the economic benefit of the facility.

This study demonstrates what the residents of Clearwater County have suspected for years, that Clearwater County is losing millions of dollars annually as a result of the federal government drawing down the water levels at Dworshak Reservoir. Dworshak Reservoir water levels have been reduced an average of 80 feet from full pool levels during the peak recreational season each year beginning with 1992, negatively impacting recreational activities. While this drawdown is controversial, there is no question about its negative economic impact.

It appears that the intent of the Federal Government to stimulate the local economy was genuine. Unfortunately, other circumstances have made it virtually impossible for the community to capitalize on this resource. This situation, for the sake of basic fairness, should qualify for mitigation assistance.

Even worse, this taking of water supplies by federal agencies appears to be a problem that has spread to Cascade Reservoir in Southern Idaho. Idaho cannot tolerate such actions over the use of its' water, let alone the precedent that may be set by such actions. It is time federal agencies, and groups making use of Idaho water at the behest of those agencies, offer timely responses to these questions over water rights, use, and mitigation. I therefore, am requesting your attendance at a meeting to be scheduled in next 30 to 60 days, and at our mutual convenience, in Orofino to sit down, discuss the situation, and develop a solution for the residents of the area.

I look forward to your timely response to my request.

Sincerely,

Mike

Michael D. Crapo
United States Senator
U.S. Senator

WASHINGTON, DC
111 Russell Senate Office Bldg.
Washington, DC 20510
(202) 224-6142

BOISE
304 North 8th Street
Room 338
Boise, ID 83702

CALDWELL
524 E. Cleveland Blvd.
Suite 220
Caldwell, ID 83605

COEUR D'ALENE
1000 N.W. Boulevard
Suite 330
Coeur d'Alene, ID 83814

IDAHO FALLS
490 Memorial Drive
Suite 102
Idaho Falls, ID 83402

LEWISTON
111 Main Street
Suite 140
Lewiston, ID 83501

POCATELLO
801 E. Sherman
Suite 178
Pocatello, ID 83201

TWIN FALLS
202 Falls Avenue
Suite 2
Twin Falls, ID 83301

DEPARTMENT OF THE ARMY
NORTHWESTERN DIVISION, CORPS OF ENGINEERS
P.O. BOX 2870
PORTLAND, OREGON 97208-2870

JUL 2 2 2002

Reply to
Attention of:

Civil Works and Management Directorate

Honorable Michael D. Crapo
United States Senate
111 Russell Senate Office Bldg.
Washington, D.C. 20510

Dear Senator Crapo:

The Commander of the Walla Walla District forwarded your letter to me regarding the *Economic Impact of Dworshak Reservoir Drawdowns on the Clearwater County Regional Economy*. I also understand that you have sent a similar letter to Mr. Steve Wright of the Bonneville Power Administration. During the past several days, members of my staff have discussed the issues with Mr. Peter Fisher of your office.

We understand that the concern is with mitigating for possible losses and impacts on the regional economy, and that your desire is to schedule a meeting between yourself and executives from the Corps of Engineers, the Bonneville Power Administration, and others, as appropriate. My staff will work with yours to schedule this meeting at a mutually agreeable time. I anticipate that Mr. Michael B. White, my Director of Civil Works and Management, will represent the Corps. I am asking Mr. Dennis Wagner, Chief of Planning and Policy Division, to take the lead in working with your staff on the issues and to schedule the meeting. Dennis may be reached at (503) 808-3854.

Sincerely,

SIGNED

David A. Fastabend
Brigadier General, U.S. Army
Division Engineer

Copies Furnished:

Honorable Michael D. Crapo
United States Senate
304 North 8th Street
Room 338
Boise, ID 82702

Commander, NWW
Mr. Steve Wright, Bonneville Power Administration
Mr. Michael B. White, CENWD-CM
Mr. Dennis Wagner, CENWD-CM-P

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

August 29, 2002

In reply refer to: KR-7C

The Honorable Brian Baird
House of Representatives
Washington, D.C. 20515-4703

Dear Representative Baird:

I have received your letter asking for assistance in supporting the film that Executive Production Services is producing, in conjunction with the U.S. Army Corps of Engineers, to interpret the Lewis and Clark Corps of Discovery journey. I can appreciate the value such a film would add to the national commemoration.

Unfortunately, the Bonneville Power Administration (BPA) is unable to provide any financing for this project at this time. While BPA has dedicated funds to participating in commemoration plans and activities in the Pacific Northwest, our financial participation has been extremely limited and, for now, has been put on hold. As you know, for the past two years BPA has experienced serious financial shortfalls. If we are to keep rate increases in check and meet our many other public responsibilities and legal obligations, we cannot make funds available for many of the projects we would like to fund.

We wish EPS success in its fundraising and film production efforts toward this venture.

Sincerely,

Stephen J. Wright
Administrator and
Chief Executive Officer

BRIAN BAIRD
THIRD DISTRICT, WASHINGTON

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

WATER RESOURCES AND ENVIRONMENT SUBCOMMITTEE

HIGHWAYS AND TRANSIT SUBCOMMITTEE

SCIENCE COMMITTEE

RESEARCH SUBCOMMITTEE

ENVIRONMENT, TECHNOLOGY AND STANDARDS SUBCOMMITTEE

SMALL BUSINESS COMMITTEE

RECEIVED BY BPA ADMINISTRATOR'S CFC-LOG #: 02-0229
RECEIPT DATE: 8.7.02
DUE DATE: 8.21.02

Congress of the United States
House of Representatives
Washington, DC 20515-4703

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120 UNION AVENUE SE
SUITE 105
OLYMPIA, WA 98501
(360) 352-9768

WASHINGTON, DC OFFICE:
1721 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-3536

web address: http://www.house.gov/baird
e-mail address: brian.baird@mail.house.gov

August 2, 2002

Mr. Steve Wright
Administrator
Bonneville Power Administration
MS: A-7
905 NE 11th Ave.
Portland, OR 97232

ASSIGN: KR-7C
cc: FO3, KN/Wash, KC-7, MHawken-DFF-2, RSeifert-KN/Wash, RRoach-L-7

Dear Mr. Wright:

The Executive Production Services (EPS) in conjunction with the U.S. Army Corps of Engineers, is producing a film to interpret the Lewis and Clark Corps of Discovery journey that occurred between 1803 and 1806. The film will be available for the Bicentennial Commemoration set to begin in 2003.

EPS is collaborating with Lewis and Clark historians to produce an accurate portrait of this historic adventure. The film will focus on the Corps of Discovery as a military and scientific expedition while also detailing the Native American perspective. As you may know, President Thomas Jefferson tried several times to send an expedition west. However, it was not until he created a military corps that he achieved his goal.

The Public Broadcasting System (PBS) has expressed interest in the film rights. Additionally, the film will be shown at the Army Corps of Engineers visitors centers and schools throughout the country.

I am especially pleased that the Army Corps of Engineers and EPS have hired an outstanding director for this project, Gray Warriner of Camera One in Seattle. Gray has successfully completed projects for the National Geographic Explorer, Nature, the Discovery Channel and BBC and has won several awards for his work. Camera One has won over 85 national and international awards for film excellence.

The Army Corps of Engineers provided $80,000 in seed money for this project. The full production and distribution budget is at $400,000. I would appreciate your assistance in supporting this educational project.

Sincerely,

Brian Baird
Member of Congress

BB:jb
cc: Patti Williams, Army Corps of Engineers
Richard Milne, Pacific Public Affairs

printed on recycled paper

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

September 27, 2002

In reply refer to: DR-7C

The Honorable Michael D. Crapo
United States Senator
Washington, DC 20510

Dear Senator Crapo:

This is in response to your letter of September 4, 2002, following up on our meeting in Orofino August 12, 2002. I appreciate your efforts to identify and document the next steps.

As you outline, we agreed to convene two working groups to identify and follow through on ways to help Clearwater County. I have asked John Williams, Bonneville Power Administration (BPA) Constituent Account Executive for the State of Idaho, to serve as BPA's representative. Mr. Williams has contacted your staff by phone to notify them of this assignment.

I am hopeful that this process will lead to a solution that is acceptable to all of the parties.

Sincerely,

Stephen J. Wright
Administrator and
Chief Executive Officer

KE CRAPO
U.S. SENATOR
IDAHO
DEPUTY REPUBLICAN WHIP
CO-CHAIRMAN, WESTERN WATER CAUCUS
CO-VICE CHAIRMAN, SPORTSMEN'S CAUCUS
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COMMITTEES:
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BANKING, HOUSING, AND URBAN DEVELOPMENT
AGRICULTURE
SMALL BUSINESS
JOINT ECONOMIC

United States Senate

WASHINGTON, DC 20510

RECEIVED BY EPA ADMINISTRATOR'S OFC-LOG #: 02-0280
RECEIPT DATE: 9.6.02
DUE DATE: 9.20.02

September 4, 2002

Steve Wright, Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

ASSIGN: KR-7C
cc: FO3, KN/Wash, KR-7, KR/Boise

Dear Mr. Wright:

Thank you for your participation in our recent meeting in Orofino regarding the economic impact of Dworshak Reservoir drawdowns. I was pleased with our progress and am confident that we will be able to help provide the assistance to citizens of Clearwater County that, as we all agreed, they deserve.

I want to reiterate my position that, as public servants, we sometimes need to work to solve problems that requires 'out of the box' thinking - simply because it is the right thing to do. This is one of those cases. While I am not suggesting that we violate any of the regulations by which our operations are governed, I am suggesting we be creative and flexible.

As we agreed the next steps are as follows:

- Create two working groups: one that will consist of those of us who attended the meeting to ensure implementation of our agreements and the availability of proper resources, and a working group consisting of one designee from each of our organizations.

  The working group will be led by Bob Ford, my State Director for Economic Development along with Mary Hasenoehrl, my Regional Director in Lewiston and Sarah Bigger, my State Director for Natural Resources. Please provide Bob with the name and phone number of your working group designee by September 16th. Bob may be reached by phone at 208-334-1776 or by email at bob_ford@crapo.senate.gov. He will work with them to establish a timeline and protocol for meetings.

- The working group will meet and identify specific ways in which we can provide help to Clearwater County. Both short and long term sources of assistance should be identified.

- ξ A memo report from this working group should be issued, that we, as decision makers, can review and act upon.

Please note that we need results quickly - the damage is being felt daily. I see no reason why we should not be able to get some preliminary information from the working group by late fall, with the idea of delivering initial resources to Clearwater County by early next calendar year.

I look forward to a successful collaborative effort that will result in helping Clearwater County.

Sincerely,

Mike

Michael D. Crapo
United States Senator

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

September 27, 2002

In reply refer to: KR-7C

MEMORANDUM FOR THE SECRETARY

FROM: Stephen J. Wright
Administrator and Chief Executive Officer

SUBJECT: ACTION: Response to a letter from 24 Members of Congress requesting that the Department affirm Bonneville Power Administration's (Bonneville) discretion not to implement Standard Market Design (SMD) in the event Bonneville determines SMD is incompatible with the Northwest power system.

ISSUE: The Members of Congress are concerned that the provisions in the Federal Energy Regulatory Commission (FERC) Notice of Proposed Rulemaking on SMD are incompatible with the Northwest power system and inconsistent with Bonneville's statutory and contractual obligations.

- Bonneville has identified and communicated specific principles that must be met before it will make the final decision to join RTO West. Bonneville is evaluating the SMD requirements against those principles to determine how they will apply under the SMD proposal.

- On September 18, 2002, FERC approved the RTO West Stage 2 filing with some modification and further development of details. FERC's approval demonstrates a willingness to accommodate regional differences, but has also created some new uncertainties.

- Bonneville has been working closely with FERC staff to communicate the unique characteristics of the Northwest power system and how they relate to its SMD NOPR.

- Bonneville will provide comments to FERC on the SMD by the FERC comment deadline of November 15, 2002.

RECOMMENDATION: That the Secretary sign the attached letter.

Attachment

cc:
J. Glotfelty - S-1
L. Walters - S-1

D. Hill - GC-70

Dear Senator/Representative:

Thank you for your letter regarding your concerns with the application of the Federal Energy Regulatory Commission's (FERC) Standard Market Design Notice of Proposed Rulemaking (SMD NOPR). I assure you that the Department takes your concerns very seriously and is sensitive to the interests of the Pacific Northwest. The Department has no intention of directing the Bonneville Power Administration (Bonneville) to take any actions that would be contrary to its statutory or contractual responsibilities or that would not be in the best long-term interests of the Pacific Northwest.

The House Appropriations Committee has directed the Department to complete an independent analysis of the impact of FERC's proposal that would compare wholesale and retail electricity prices under existing conditions and under FERC's proposed rule. The Department will work with Bonneville and other Pacific Northwest stakeholders to gather information about the impacts of FERC's proposal in your region.

I am pleased FERC recently approved significant elements of the RTO West filing and is showing a willingness to accommodate regional differences in the design of electricity markets. We know, however, that there are many significant issues to be resolved before deciding whether Bonneville should join RTO West, and the SMD proposal has highlighted the need to address these critical concerns. I agree with you that any proposal for the Pacific Northwest should accommodate the Northwest's interconnected hydroelectric power system, economically benefit Northwest consumers, and allow Bonneville to continue to meet its statutory and contractual obligations. We also believe Bonneville is best situated to determine whether the various elements of SMD are suited to its particular needs.

The Department is working with FERC to fully understand the proposed SMD. I appreciate the Northwest delegation's comments and will communicate these concerns to FERC Chairman Pat Wood. In addition, I understand BPA has been working closely with FERC staff to explain the unique characteristics of the Pacific Northwest hydropower system. I support these efforts and encourage the Pacific Northwest to seek out additional opportunities to better inform FERC about the region's special circumstances.

If you need further information, please contact me or Mr. Dan R. Brouillette, Assistant Secretary for Congressional and Intergovernmental Affairs, at (202) 586-5550.

Sincerely,

Spencer Abraham

Folder Profile

Control # 2002-016059 **Name** Letter to Secretary Spencer Abraham from Twenty-Four Me

Priority Essential Critical

Folder Trigger Fax Message

Source CC

DOE Addressee
Spencer Abraham

Date Received 9/16/02

Subject Text
Twenty-Four Members of Congress ask the Secretary to affirm DOE's discretion to not implement Standard Market Design (SMD) in the event BPA determines that the SMD is incompatible with the Northwest

Correspondence Date 9/12/02

RIDS Information Head of Agency

Sensitivity NA

Action Office #

Classification None

Point of Contact HOLLOWAG

Signature/Approval
Spencer Abraham

Organization ID EXECCORR2

Action Requested
Prepare Response

Assigned To
BPA

Special Instructions
ES will obtain CI concurrence. Info copy: ES/Green

Date Due 9/23/02

Date Completed

Status

RECEIVED BY BPA
ADMINISTRATOR'S
OFC-LOG #: 02-0287
RECEIPT DATE:
9-16-02
DUE DATE:
9-23-02

ASSIGN: KR-7C
cc: FO3, KN/Wash, KR-7, L-7, P-6, T/Ditt2, Lara Skidmore-LP-7

2002-016059 SEP 16 PM 12:00

Congress of the United States

Washington, DC 20515

2002-016059 9/16 11:40

September 12, 2002

The Honorable Spencer Abraham
Secretary of Energy
Forrestal Building
1000 Independence Avenue, S.W.
Washington, DC 20585

Dear Secretary Abraham:

As you know, on July 31, 2002, the Federal Energy Regulatory Commission (FERC) released a proposed Standard Market Design (SMD) for electricity markets throughout the nation. FERC's SMD applies to public utilities, and contains a reciprocity standard applicable to non-jurisdictional entities such as the Bonneville Power Administration. The Washington Utilities and Transportation Commission, many public and private utilities in the Northwest, other state regulatory commissions and public officials, including Attorneys General, have read these rules in detail and have found that they contain serious problems. We share these concerns. Like the aforementioned entities, we believe the rules will increase - rather than reduce, as the Commission claims - opportunities for market manipulation and price gouging, thus raising rates and harming consumers.

In light of the energy crisis of 2000-2001, it is important to consider these concerns very seriously. Given the importance of Bonneville to our region, the Northwest congressional delegation, and other parties in our region, are working with Bonneville to guarantee that FERC's movement toward regional transmission organizations (RTOs) and SMD is compatible with the Northwest's interconnected hydroelectric power system, economically beneficial to Northwest consumers, and fully consistent with the Bonneville's statutory and contractual obligations. All of this takes a lot of time, surely much longer than the aggressive implementation schedule FERC has proposed.

We are mindful, and thankful, that you provided discretion to Bonneville earlier this year on joining an RTO *(May 23, 2002, letter from Secretary Abraham to Northwest congressional delegation)*, and indicated that the agency pursue RTO West based on explicit conclusions that this step could improve regional transmission planning and operations.

FERC is now making it clear that RTOs or other independent transmission providers (ITPs) will implement SMD through a new, standardized FERC transmission tariff and interconnection agreements that embody FERC's SMD. Hence, it would now appear that a decision to join an RTO is a decision to implement SMD. For utilities that do not join an RTO, SMD implementation will be a matter of reciprocity. In either case, BPA has statutory discretion

PRINTED ON RECYCLED PAPER

whether to comply, and we would ask that you affirm the agency's discretion to not implement SMD in the event BPA determines that the SMD is incompatible with the Northwest's interconnected hydroelectric power system, economically harmful to Northwest consumers, or inconsistent with the Bonneville's statutory and contractual obligations.

While we have significant reservations regarding RTO West, in our view, the proposed SMD raises a number of even more difficult problems, such as:

- Imposing a complex and costly model in an effort to solve problems - such as discriminatory access to and pricing of transmission, inadequate investment in infrastructure, inadequate resource planning - that either do not exist in the Northwest or, to the extent they do, can be resolved using existing institutions.

- Requiring that utilities abrogate customers' existing transmission rights, including a right to service for load growth, and the right to change pre-schedules and points of delivery without penalty, among others. Rather, the SMD envisions that utilities must participate in an auction to get critical transmission rights.

- Making the new independent transmission providers (ITPs) responsible for long-term generation and transmission resource adequacy. This conflicts with federal statutes that give this responsibility to the Northwest Power Planning Council (for BPA), state regulatory commissions (for private utilities), and local governments (for public utilities), and could impose significant new costs on ratepayers.

- Imposing unfair cost shifts from independent power generators onto load-serving entities, and from importing regions onto exporting regions.

- Requiring that the ITP solicit and accept "demand reduction" bids from retail customers, a step that could conflict with federal statutes that prevent resale of federal requirement power and numerous state statues.

- Requiring locational marginal pricing (LMP) for hydroelectricity despite evidence that it may not work with a coordinated hydroelectric system like that in the Northwest, and may actually prevent operation of facilities consistent with statutory and regulatory obligations for fish recovery, irrigation, navigation, and other public goods.

- Threatening other BPA statutory obligations, including public power preference and regional preference.

- Pricing of losses at marginal cost, inconsistent with the notion of cost-based power rates from the Federal system.

- Standards and findings in the Order that preferential use of transmission to meet firm bundled retail loads is undue discrimination that can only be remedied by making all transmission available on a competitive basis, again potentially in conflict with state and federal statutes governing least-cost, environmentally sound resource acquisition.

We are doing our best to read and understand FERC's proposed SMD. However, our preliminary assessment is that many of the market rules may work better in the tight power pools of the eastern interconnection than in the loosely connected southeast and west. Many utilities and state regulators from the southeast and western regions have expressed their concerns to FERC, but there is little evidence in the proposed rule that FERC understands or sees value in accommodating significant regional differences. Accommodating these differences would not, in our estimation, undermine FERC's goal of a robust wholesale power market throughout the United States. Such a robust wholesale market does not depend on a standardized "cookie cutter" approach. We would also ask you to communicate these concerns to FERC Chairman Pat Wood.

Sincerely,

PETER DeFAZIO
Member of Congress

PATTY MURRAY
United States Senator

GEORGE R. NETHERCUTT, JR.
Member of Congress

LARRY CRAIG
United States Senator

DOC HASTINGS
Member of Congress

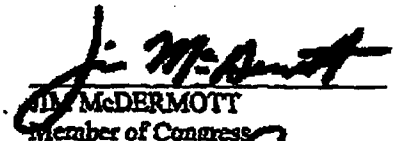
MAX BAUCUS
United States Senator

GREG WALDEN
Member of Congress

CONRAD BURNS
United States Senator

NORM DICKS
Member of Congress

RON WYDEN
United States Senator

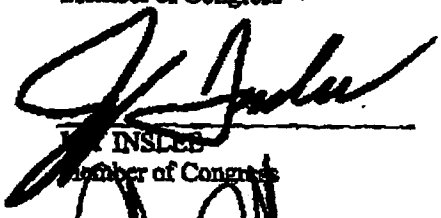


JIM McDERMOTT
Member of Congress

GORDON SMITH
United States Senator

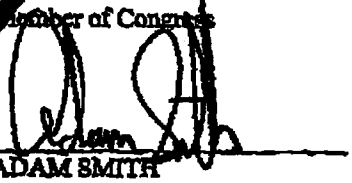
MIKE SIMPSON
Member of Congress

MIKE CRAPO
United States Senator

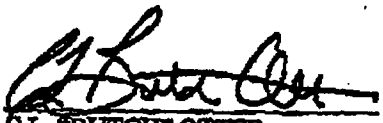


[illegible] INSLEE
[illegible]ber of Congress

MARIA CANTWELL
United States Senator



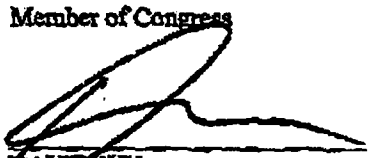
ADAM SMITH
Member of Congress



C.L. "BUTCH" OTTER
Members of Congress

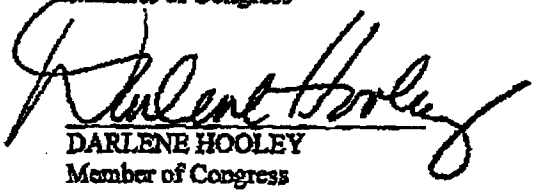
RICK LARSEN
Member of Congress

JENNIFER DUNN
Member of Congress

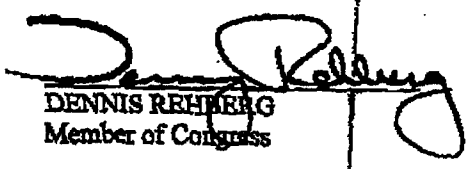


DAVID WU
Member of Congress

BRIAN BAIRD
Member of Congress



DARLENE HOOLEY
Member of Congress



DENNIS REHBERG
Member of Congress

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

January 7, 2003

In reply refer to: DR-7C

The Honorable Max Baucus
United States Senate
Washington, D.C. 20510

Dear Senator Baucus:

I have received your letter of November 13, 2002, in which you endorse proposals from the Confederated Salish Kootenai Tribes (CSKT) for fish and wildlife mitigation under the Northwest Power Planning Council's (Council) Fish and Wildlife Program, Mountain Columbia Province.

Bonneville Power Administration (BPA) has agreed to partially fund this proposal, consistent with our responsibilities for fish and wildlife. We have agreed to fund a habitat acquisition for resident fish, including protection of instream and riparian habitat as well as water quality, at an estimated $2.5 million total for fiscal years 2002-2004. In addition, we have agreed to provide fiscal year 2002 funding totaling $212,400 for ongoing resident fish projects and contracting for watershed coordination.

In discussions with the CSKT, we have outlined our concerns with the parts of the proposal that we did not fund. First, we believe that habitat acquisitions should be limited to those focused on resident fish. Second, as I describe below, BPA is in a weakened financial condition. Under the circumstances, it is even more important that we direct our fish and wildlife funding to those actions that specifically address our statutory obligations under the Northwest Power Act and the Endangered Species Act (ESA). We have told the CSKT that we would decide on mitigation for any operational impacts of Libby and Hungry Horse dams to wildlife after losses are defined in subbasin planning. Finally, we have offered to further negotiate the public outreach task in the proposals to more closely tie it to fish and wildlife mitigation.

The Montana Wildlife Trust was established in 1988 in response to the Council's recommendation in its 1987 Program to ". . .explore alternative methods, including a trust fund, for financing wildlife mitigation at Libby and Hungry Horse dams." Administered by the Montana Department of Fish Wildlife and Parks, the Montana Wildlife Trust has been a model of biological effectiveness and fiscal responsibility. CSKT is a member of the Montana Wildlife Trust Advisory Committee, and the State is responsible for seeking the Tribes' guidance and advice in implementation of the trust.

We believe the Montana Wildlife Trust clearly states that the Trust fully meets BPA's obligations to mitigate for the construction and inundation wildlife losses of Libby and Hungry Horse for at least 60 years. Past Councils have agreed with that assessment. The Council's Fish and Wildlife Program document, which the Council has amended to reflect wildlife habitat loss assessments, shows no loss assessments for Libby and Hungry Horse dams (Table 11-4). BPA measures its wildlife mitigation obligation—and mitigation progress—against those loss assessments we have accepted. Under the Council Program there are no remaining construction or inundation wildlife losses to mitigate for Libby or Hungry Horse.

As you acknowledge, BPA is in an extremely fragile position financially. For the 2002-2006 period, the gap between our projected revenues and projected expenses is $1.2 billion. Our operating reserves have declined by $800 million over the last two years. (The details of this are spelled out in my enclosed letter to customers, tribes, constituents, and interested parties, dated November 22, 2002.) We have cut $350 million from our costs (almost none of it in fish and wildlife) and we are pursuing additional expense reductions and funding deferrals that could potentially contribute another $500 million. Still, with the poor start to this water year, the possibility remains high that BPA will need to increase its rates.

At the same time, we have seen a significant increase in expense accruals for fish and wildlife projects this year. By the time that new and expanded projects are added to accruals for FY2003, there is substantial risk that fish and wildlife spending will exceed the average expense accrual of $139 million that BPA has committed to fund. Accordingly, I have asked the Council to prioritize program spending to 1) ensure that spending for the Integrated Program does not exceed $139 million in expense accruals in FY2003 and 2) create the opportunity to spend less than $139 million in expense annually through the 2003-06 period. In addition, as ongoing research and evaluations continue to reveal new information about Biological Opinion implementation and performance results, we have redoubled our efforts to find ways to achieve maximum biological benefits at the least cost.

Finally, the CSKT proposal, and indeed the entire Mountain Columbia Provincial Review, was developed without the benefit of a comprehensive subbasin planning process. Such a process would, we believe, bring greater clarity and focus to BPA's responsibilities under the Council Program and the ESA. Scientific assessments of the loss of resident fish and wildlife due to the operational impacts from Libby and Hungry Horse dams, for instance, would help identify the extent of the need for the CSKT's habitat acquisition proposals. We are eager to work cooperatively with the CSKT through subbasin planning to ensure that future proposals appropriately mitigate for Federal Columbia River Power System fish and wildlife responsibilities.

The Tribes have been a steadfast partner in successful mitigation in the past, and we are well aware of the high standards they maintain in their stewardship of not only the fish and wildlife resources, but the ratepayers' funds as well. Though we are only partially funding the current

proposals because some parts are not necessary to meet our statutory obligations, I hope it is clear that we view these projects as very worthwhile endeavors.

Thank you for your letter and your support of our fish and wildlife programs. If I can answer any further questions, please do not hesitate to contact me.

Sincerely,

Stephen J. Wright
Administrator and
Chief Executive Officer

cc:
The Honorable Conrad Burns
United States Senate
Washington, D.C. 20510

The Honorable Denny Rehberg
U.S. House of Representatives
Washington, D.C. 20515

Congress of the United States

WASHINGTON, DC 20510

CONTROL NO: 02-0331
RECEIPT DATE: 11-15-02
DUE DATE: ~~11-29-02~~ 12-09-02

November 13, 2002

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

ASSIGN: DR-7C
cc: FO3, DC/Wash, DR-7, KE-4, KEW-4, DR/MSGL, P-6, DT/Spokane

Dear Steve:

As members of the Montana congressional delegation we would like to take this opportunity to address an issue that is very important to the Confederated Salish and Kootenai Tribes (CSKT) regarding their wildlife mitigation project as proposed under the Mountain Columbia Provincial Project Proposal for FY 2001.

As you know, this is a project devoted to the acquisition of significant habitat in order to mitigate impacts to fish and wildlife associated with the construction and subsequent operation of Hungry Horse and Libby Dams. We understand the CSKT fish and wildlife mitigation proposal embraces the NWPPC sub-basin-by-sub-basin approach to ecosystem management instead of the historic, and more fragmented, project by project approach, and therefore has the Northwest Power Planning Council (NWPPC) the Columbia Basin Fish and Wildlife Authority, and the Independent Scientific Review Panel have recommended full funding by the Bonneville Power Administration (BPA).

We recognize that the Bonneville Power Administration is in the process of addressing a number of financial challenges. We are very sensitive to the impacts on Montana's economy of further BPA rate increases. Nevertheless, we believe this project represents an important effort to resolve the adverse impacts on wildlife and fisheries caused by the construction and operation of the Hungry Horse and Libby dams. Further, the project has received support from appropriate constituent, technical and regional organizations. For these reasons we are writing to ask that you do what you can to advance the goals of this project within the context of BPA's legal obligations and overall financial situation.

We look forward to hearing from you concerning funding for this project.

Sincerely,

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

February 18, 2003

In reply refer to: DR-7C

The Honorable George R. Nethercutt, Jr.
U.S. House of Representatives
Washington, D.C. 20515-4705

Dear Representative Nethercutt:

This is in response to your letter to me of December 13, 2002. In the letter, you express your concerns about an issue raised by your constituent, Mr. Andy Dunau, regarding the Northwest Power and Conservation Council's (Council) Subbasin Planning Process. Specifically, you are concerned that the process involve all stakeholders at the local level, be well managed, and effectively use ratepayer resources.

Bonneville Power Administration (BPA) approved master contracts with the Council in June 2002 for the purpose of hiring subbasin, state/province/tribe, and regional planning entities to develop subbasin assessments and plans for fish and wildlife. The Council intends to adopt these plans as part of its Integrated Fish and Wildlife Program. Through the Council program, subbasin plans will guide BPA funding of actions to protect, mitigate, and enhance local fish and wildlife populations and to help meet BPA's responsibilities under the National Marine Fisheries Service (NMFS) 2000 Federal Columbia River Power System Biological Opinion. As the prime contractor on this subbasin planning effort, the Council negotiates an agreement directly with a contractor in the Intermountain Province (IMP) and is solely responsible for that contractor's performance under the contract.

The Council has completed a review of subbasin planning in the IMP, including the concerns that Mr. Dunau has raised, and recently released a comprehensive report on its findings. (See enclosure). The report validates the current IMP subbasin planning process and identifies some procedural flaws early in the subcontractor selection process, which ultimately were remedied and a contractor selected. The report highlighted the importance of local stakeholder participation in the subbasin planning process, including involvement of local cities and counties, watershed groups, fish and wildlife resource agencies, and Tribes. Our discussion with Washington Council member Dr. Tom Karier has confirmed the Council's commitment to achieving stakeholder participation and trust in this planning process and that the Council will manage subcontractor selection and performance with attention to these goals.

Both the NMFS and the U.S. Fish and Wildlife Service have said they intend to use the subbasin plans as building blocks for recovery planning for threatened and endangered species.

We believe this is testimony to the importance of the subbasin plans in meeting BPA's obligations under the Endangered Species Act. For this reason it is critical that the subbasin planning process is effective as well as credible with all stakeholders at the local level where the planning and subsequent mitigation work will occur.

Beyond this, BPA is very focused on spending ratepayer dollars effectively. As ongoing research and evaluations reveal new information about Biological Opinion implementation and performance results, we are alert for ways to achieve the greatest biological benefits at the least cost. We have also increased our involvement with the Council as it develops its recommendations for BPA funding. We have defined our criteria for projects we will fund and reviewed and commented on those projects that the Council eventually recommends for funding in light of those criteria.

Among BPA's more important criteria are that projects be implementable at the local level (for instance, that the necessary agreements can be put together among local parties to make them happen) and that they address the root causes of declines in local fish and wildlife populations. To accomplish these objectives, the subbasin plan must embody the knowledge, policies, and support of the people who live in the subbasins.

The Council has assured us that the contractors are committed to this local involvement and participation throughout the subbbasin planning process. At the same time, BPA will continue to maintain its responsibility to the ratepayers by participating in the IMP process with the Council and ensuring that the master contract terms and conditions are being met. In that oversight capacity, we will work closely with the Council to assure adequate and meaningful local involvement.

Thank you for your letter and your efforts on behalf of our Fish and Wildlife Program.

Sincerely,

Stephen J. Wright
Administrator and
Chief Executive Officer

Enclosure:
IMP Review

cc:
Mr. Tom Karier, Council Member
Northwest Power and Conservation Council
705 West First Avenue, MS-1
Spokane, WA 99201

Mr. Jim Tanner, Administrative Officer
Northwest Power and Conservation Council
851 SW 6th Avenue, Suite 1100
Portland, OR 97204-1348

Ms. Judi Danielson, Council Chair
Northwest Power and Conservation Council
P.O. Box 83720
Boise, ID 83720-0062

INTERMOUNTAIN PROVINCE SUBBASIN PLANNING REVIEW

1. INTRODUCTION

The Northwest Power Planning Council (Council) is currently engaged in a subbasin planning effort throughout the Columbia River Basin. This initiative supports a fish and wildlife program amendment process being conducted pursuant to the Northwest Power Act. The Council is the body charged by Congress to develop and periodically amend a program to protect, mitigate, and enhance fish and wildlife affected by the development and operation of the Columbia basin hydroelectric system. The subbasin planning initiative of the Council provides support and resources to local groups to develop subbasin plans, which, when completed, will be considered by the Council for adoption into its fish and wildlife program.

As the primary contractor for the development of individual subbasin plans, the Council provides oversight in the selection of the entities that will develop subbasin plans in each of the four states, under contracts with the Council. Council members from the state of Washington, Larry Cassidy and Tom Karier, have asked the Council's contracting office to review the procedures used by the Intermountain Province Oversight Committee to select contractor(s) for the development of subbasin plans in that province.

This review embraces the requirements of the Northwest Power Act as it pertains to the Council's fish and wildlife program and contracting practices, the Council's Call for Recommendations for subbasin plans, the master contract between the Council and Bonneville Power Administration (Bonneville) for subbasin planning, the formation of the Intermountain Provincial Coordination/ Lead Entity group and the method for selecting the contractor(s) to develop subbasin plans. During the course of the review a variety of key stakeholders in the province were given an opportunity to comment.

2. BACKGROUND

The Council expects subbasin plans to be developed in an open public process that provides ample opportunity for participation by a wide range of state, federal, tribal and local managers, experts, landowners, local governments, and stakeholders. The Council allows for that public process to take place in different ways across the basins. At the local level, interested parties are expected to work together to develop a plan that, as far as possible, embodies the knowledge, policies, and support of the people in that subbasin. The Council has established an administrative structure to facilitate this effort.

In Washington, subbasin-planning coordination occurs at the ecological province scale or the geographic areas covered by already existing state salmon recovery boards. In areas not covered by recovery boards or provincial coordination groups, other accommodations are made. Coordination at these levels is intended to provide the best means for encompassing the planning efforts of the broadest possible group of stakeholders, and avoiding duplication of ongoing state efforts.

Other states have taken slightly different approaches by initiating statewide coordination groups or by relying on individual state and tribal entities to take the lead for developing subbasin plans in specific subbasins.

Regardless of the particular approach adopted, the Council expects that the contractors with which it will contract will represent, and work on behalf of, the state, tribal, federal and local governments and other local interests in each subbasin.

The Council's master contract with Bonneville for subbasin planning describes these administrative structures to ensure accountability, tracking and coordination while still providing the planners some flexibility. Although the Council will contract directly with subbasin contractors, the Council expects to rely on the statewide/ provincial/ tribal coordination groups to track and monitor subbasin-level contracts and to address deliverables, schedule and budget issues.

Section 4(h)(2) of the Northwest Power Act establishes the requirements the Council observes in developing and amending a program to protect, mitigate and enhance fish and wildlife in the Columbia River Basin and its tributaries. The approach of asking states and tribes to work with a broad range of participants in the planning work was developed by the Council to address requirements of the Act related to fish and wildlife program development. While flexibility is important in the development of subbasin plans, in the end, the substantive and procedural requirements of the Northwest Power Act will guide the Council's decisions on adopting subbasin plans.

3. FORMATION of IMP SUBBASIN PLANNING COORDINATION GROUP(s)

Conclusion: After review of the Council's Call for Recommendations for Subbasin Plans and the Terms of Reference document describing the purpose, organization, functions and membership of the IMP Oversight Committee and Advisory Council, I find that these groups are properly constituted and meet the requirements established by the Council to qualify as a subbasin planning level II provincial coordination group and to function as a lead entity for the subbasins in the Intermountain Province.

Discussion: The IMP in Washington utilizes a subbasin planning coordination group that serves both the provincial level coordination and subbasin lead entity functions. Following a series of organizational meetings over a six-month period, and with the endorsement of Washington and Idaho Council members, the group was formally established by adopting a set of operating principles referred to as the Intermountain Province Level II--Terms of Reference.

This document describes the structure, purpose, membership, tasks, decision-making criteria, role of a contract facilitator/coordinator and various administrative guidelines that members have agreed to follow. The group consists of an Oversight Committee and Advisory Council.

The Oversight Committee is composed of representatives of the federal, state and tribal fish and wildlife managers for the province plus representatives from the Ferry County Conservation District, the Idaho Office of Species Conservation and an ex-officio representative of the Power Planning Council. The Oversight Committee is the designated provincial level decision-making body responsible for coordinating and recommending policies, funding allocations, subbasin contractors, and procedures to be followed at the province level in support of the development of subbasin plans.

The Advisory Council is comprised of tribal entities and stakeholders at all levels who are concerned with maintaining and improving fish and wildlife populations and habitat within the Intermountain Province specifically and the Columbia Basin generally. These entities represent both public and private interests across the geographic range of the province. The Advisory Council serves as liaison to the public, the Power Planning Council and other agencies. It also provides input and recommendations to the Oversight Committee.

Other committees are designated for technical assistance and for subbasin work groups. The contracted facilitator/coordinator for the oversight committee does not have any decision-making responsibilities.

It was noted that until recently the Oversight Committee lacked a chairperson who could act on behalf of the Committee as an official representative and spokesperson. A chairperson and vice-chairperson have now been named.

Although the Oversight Committee/Advisory Council is not a legal entity in a business sense nor for contracting purposes, it does have sufficiently broad representation and a decision-making process requiring group consensus that together satisfy the Council's expectations for a Level II group. The group is also able to function as a lead entity capable of recommending appropriate subbasin planning contracts to the Council and providing project management oversight.

4. CONTRACTOR SELECTION METHODOLOGY

Conclusion: An examination of the Request for Qualification/ Letters of Interest (RFQ/RFI) documents and the Request for Proposal (RFP) document to develop subbasin plans shows the selection process to conform to generally accepted contracting standards and to be consistent with the Council's procurement requirements.

Discussion: The Council is an interstate compact agency, formed by the four Northwest states of Idaho, Montana, Oregon and Washington, under the Northwest Power Act, Public Law 96-501. The Act specifies that "except as otherwise provided in this Act, [the Council] shall not be considered an agency or instrumentality of the United States for the purpose of any federal law . . .." Section 4 (a) 2 (A). There is no provision in the Act that requires the Council to follow Federal Acquisition Regulations nor does the Council's master subbasin planning contract with Bonneville specify such a requirement. The Council does, however, require competitive procurement and when that is not possible, sole source justification.

The Council requires Level II subbasin planning coordination groups (in this instance the IMP Oversight Committee) to document competitive or sole source procurements when

selecting lead entities and contractors. In identifying a lead entity to oversee development of subbasin plans in the Intermountain Province, the IMP Oversight Committee applied a two-step competitive process by first issuing a Request for Qualifications/Letter of Interest followed by a Request for Proposals. This approach is a generally accepted contracting procedure that is practiced by most state and local governmental entities.

The IMP Oversight Committee issued its Request for Qualifications/Letters of Interest to 55 prospective contractors who were deemed to have qualifications or interest in developing subbasin plans. In addition, copies of these documents were mailed to many other interested individuals and entities with guidance to provide further distribution of the request to appropriate firms and individuals who were not identified on the original contractor distribution list.

This process elicited responses from 18 potential contractors. Following an evaluation of each contractor's response by the Committee and some members of the Advisory Council, the Committee, by consensus, approved six contractors to include in the subsequent RFP.

Five of the six contractors submitted proposals in response to the RFP. Following the presentation of proposals by each contractor, the Committee and some members of the Advisory Council evaluated and selected, by consensus, a contractor that the Committee could support recommending to the Council to develop subbasin plans in the Intermountain Province.

I conclude that the method applied for the selection of a contractor to develop subbasin plans satisfactorily meets the Council's requirements for competitive procurement.

5. *QUESTIONABLE or IRREGULAR PRACTICES*

Conclusion: Concerns raised regarding the fairness of the evaluation of contractor proposals, limited stakeholder involvement and flawed legal basis to support the process stemmed from poor communication by the parties involved and a lack of full understanding of the Council's requirements and processes associated with subbasin planning. These concerns, although raised in good faith, were not of such material significance as to warrant invalidating the contractor selection process.

Discussion: The review provided an opportunity for interested stakeholders and others in the Intermountain Province to comment on the subbasin planning process to date.

Comments were received from: Congressman Nethercutt's Spokane Office, Chairman of the IMP Oversight Committee, Oversight Committee representative from the Colville Confederated Tribes, Oversight Committee representative from U.S. Fish and Wildlife Service, DuNau Associates (contractor) and CH2M Hill (contractor).

In addition to written comments, telephone contacts and emails were utilized to ascertain further the nature of the various concerns that were expressed.

Issues raised include: 1) legal aspects regarding the formation of the Oversight Committee and the application of Federal Acquisition Requirements, 2) limited opportunity for stakeholder participation in the contractor selection process, 3) proposal

evaluation criteria regarding contractor qualifications, and 4) ad hoc communications with contractors outside the selection process.

Some commentors believed that these issues, when viewed in total, raised questions of credibility and warrant a determination as to whether the IMP processes were inappropriate or did not follow proper procurement practices.

These issues are addressed below, based on my findings:

a) The legal aspects regarding the formation of the Oversight Committee and Federal Acquisition Requirements are discussed in detail in sections 3 and 4 of this report, above. There is no evidence that the process to date is inconsistent with the administrative structure and procurement requirements as provided under the Northwest Power Act, the Council's Call for Recommendations for Subbasin Plans and the Council's master contract with Bonneville for subbasin planning.

b) Stakeholder participation, to the broadest extent possible, is both an expectation and a requirement of the Council in the development of individual subbasin plans. The IMP RFQ/LOI and RFP identify this goal as one of the major components that must be addressed in each contractor's proposed workplan Some stakeholder involvement during the selection of contractor(s) to develop subbasin plans is useful, but as the Council's Call for Recommendations stresses, it is of greater importance and necessity that the state and tribal fish and wildlife managers be able to support those organizations that are selected as lead entities/contractors. The statement of work, deliverables and budget eventually agreed to by the Council and the contractor will describe in a contractual framework the manner in which broad stakeholder involvement in each subbasin will be ensured.

   Criticism of limited stakeholder participation at this point in the process appears to be premature. The Council will carefully examine proposed statements of work, as well as the products of the subbasin planning efforts, to ensure broad stakeholder participation is secured in the development of the subbasin plans.

c) Evaluation of contractor qualifications can encompass criteria such as conceptual approach, experience of key personnel and subcontractors, project scheduling, cost control, and so forth. But previous experience and performance of a contractor are also legitimate criteria for evaluating contractor qualifications. During the RFQ/LOI process and also during the RFP process the Oversight Committee had to consider and resolve at least two matters concerning contractor qualifications based on prior experience encountered by one or more of the member entities represented on the Committee. This basis for considering whether certain contractors are qualified is not only legitimate but essential to the Council requirement that the Oversight Committee discuss, debate and resolve, through consensus, whether and under what conditions a contractor's proposal is selected.

   The Intermountain Province covers a large geographical area involving many entities that have multiple ongoing projects based on their own mandated responsibilities for fish and wildlife management. Therefore, it is not surprising that one or more of these entities may have some prior experience with a candidate contractor(s) and or

subcontractors. The requirement that the Oversight Committee make decisions by consensus satisfies the Council's requirement that there be support by the appropriate fish and wildlife agencies and tribes in the Province. Just as importantly, the Committee must, of necessity, thoroughly vet a contractor's proposal before coming to consensus.

d) There were inappropriate contacts with contractors by one or more individual members of the Oversight Committee, without the knowledge of the oversight committee, and prior to the evaluation and selection process. These incidents were unfortunate because they may have alienated at least one contractor and one subcontractor. Also, these contacts called into question the appropriateness of the overall process.

   My review concluded that these unofficial communications by individual Committee members, although unfortunate, did not so compromise the evaluation process as to warrant terminating the process and starting over. The consensus decision-making requirement on the part of the Oversight Committee cures whatever harm may have resulted. This consensus mechanism was thoroughly applied both in the selection of the primary contractor and in the evaluation of proposed subcontracted team members. It appears the contractor contacts were not intended to derail the process but rather to ensure that all contractor proposals received full consideration rather than premature disqualification.

   It is worth noting that the letter from the chairman of the Oversight Committee, as well as the comments received from individual representatives on the committee, expressed unified support of the group's processes, consensus decisions and overall progress. The group believes its processes have been fair and consistent, while having to deal with difficult problems and issues.

7. RECOMMENDATIONS

a) Advise the Oversight Committee to continue to develop a workplan, schedule and budget to submit to the Council along with the rationale in support of the contractor it has selected.
b) Urge the IMP Oversight Committee to adopt a formal protocol for communicating its practices and decisions to the public, stakeholders and other interested parties. This will be especially important once the development of subbasin plans begins. The Committee only recently appointed a chairman and vice-chairman.
c) The Committee should ensure that contractors, stakeholders and all other interested parties understand the role of the Committee, its structure and the scope of responsibilities of the facilitator/coordinator position.
d) In performing most of the functions of a lead entity, the Oversight Committee should develop project management and contract oversight procedures that can be integrated with the Council's contract administration structure.

8. *APPENDIX--Reference documents*

1) Section 4(h)(2) of Northwest Power Act
2) Council Call for Recommendations
3) Master contract with Bonneville Power Administration for subbasin planning
4) IMP Request for Qualifications/Letter of Interest
5) IMP Request for Proposal
6) IMP Oversight Committee--Terms of Reference
7) Facilitator/coordinator contract
8) Comments from stakeholders and IMP Committee members
9) List of names/organizations of Oversight Committee and Advisory Council members

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GEORGE R. NETHERCUTT, JR.
5TH DISTRICT, WASHINGTON

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December 13, 2002

RECEIVED BY BPA ADMINISTRATOR'S O.C. LOG #: 02-035
RECEIPT DATE: 12/18/02
DUE DATE: ~~1/2/03~~ 1/13/03

Mr. Stephen Wright
PO Box 3621
Bonneville Power Administration
905 NE 11th Avenue
Portland, OR 97231

Dear Steve:

I am writing you to express my concern regarding the management of the Intermountain Province (IMP) Subbasin Planning Project. Enclosed for your review is correspondence I received from my constituent, Andy Dunau, that outlines some of the concerns raised with this process.

The fundamental issue of concern that I have is the future credibility and integrity of expending ratepayer funds to meet the fish and wildlife needs associated with the building and operation of the Federal Columbia River Power System. If this process is viewed as poorly managed or lacking in integrity, public cynicism of BPA and the Northwest Power Planning Council's ability to effectively utilize ratepayer resources will be questioned. In addition, I am told that the Intermountain Province is not the only subbasin planning project with management or contracting concerns.

I request that you work with the Northwest Power Planning Council to review and consider reissuing this contract. You may also wish to consider temporarily suspending all subbasin planning efforts that are not currently contracted until the Council has put quality control procedures in place necessary to assure the ratepayers that these funds are being properly spent.

I look forward to your thoughts on this issue.

Cordially,

GEORGE R. NETHERCUTT, JR.
Representative in Congress

GRN:clb
enclosure

THIS STATIONERY PRINTED ON PAPER MADE OF RECYCLED FIBERS

Dunau associates

December 11, 2002

Larry Cassidy
Chairman, Northwest Power Planning Council
PO Box 2187
Vancouver, WA 98668

Dear Larry,

I am writing to you to express my deep concern with the processes and management of the Intermountain Province (IMP) Subbasin Planning project. In the body of this letter, I will provide you a brief review of my direct experience with this project. Additionally, it is my understanding that Congressman Nethercutt's office has expressed additional concerns, and that as a result the Council is reviewing the contracting and management activities of the IMP.

Based on the events that took place on Thursday, December 5th, I would like to request that the activities of the IMP be placed on hold until the Council review is complete and any recommendations that review may contain are enacted. I believe such a review is necessary to determine appropriate IMP contracting procedures, oversight committee accountability, and coordination of this project. To do less risks endangering the credibility of subbasin planning in this area.

The IMP group was formed in January of 2002. Alison Squire was selected by the group to coordinate activities. Because Dunau Associates has a contract to manage the activities of the Lake Roosevelt Forum, I was place on the IMP advisory group. I received updates of committee work via e-mail, and attended one committee meeting for approximately half a day.

Over the summer, the Oversight Committee issued a request for qualifications to conduct subbasin planning work. Based on a review of applicants, six contractors were asked to subm proposals. One of those firms, GEI, asked if I would assist with the development of their proposal. I agreed to do this, and notified the coordinator of the IMP.

On October 23, the Oversight Committee scheduled interviews with the contractors. M the GEI team scheduled a meeting at my office on October 22nd to complete preparations interview. When GEI came to my office, I was informed that they had received a call fr

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Arterburn, who works for the Colville Tribes. John stated that the Colville's were impressed with the GEI proposal. For the Colville's to be supportive of GEI as the selected contractor, however, GEI would need to make clear in the interview that Andy Dunau would not be on the GEI team. John was clear that we do not know each other, and that he had been instructed by his superiors to make the call.

It was quickly decided in my office I would not go to the interview. After the GEI interview with the IMP, they invited me to lunch. GEI indicated they were hopeful they would receive the contract and hoped I would be placed back on the team. I strongly recommended that GEI contact Tony Grover and review the situation, including appropriate Council action. I was specifically asked not to contact the Council or the oversight committee regarding my involvement in the project. I agreed to this request because it was a GEI proposal.

Within the next couple of weeks, I received a call from GEI indicating that they had been selected and confirming I would not be on the team.

I then received the following series of calls:

- A call from the Congressman's office indicating that they had become aware of irregularities in the contracting process and one had to do with my involvement in the GEI proposal. I relayed the facts of my participation to the Congressman's office.
- A call from Tom Karier indicating his concerns. I related that while the process of selection made me very uncomfortable, I was more concerned with the credibility and accountability associated with who was making IMP decisions. In particular, the IMP is not a legal entity and has no by-laws or board of directors. I was assured that the IMP role was to make recommendations that the Council could act on at its discretion. Further, the Council would have ultimate oversight and responsibilities for contractors.
- A call from Alison Squire. In that call, Alison felt that she could contact Joe Peone and the Colville's could rescind their concern. I explained I was uncomfortable with the process and GEI's approach to resolving the issues. As such, I explicitly stated that I was no longer part of the GEI team and would not accept an offer by them to return to the team. Alison further indicated that the IMP continued to hope for "lead entity" status that would include responsibility for directing the work of contractors.
- A call from Lyle Gardiner, who was later selected to co-chair the IMP oversight committee. Again, I explicitly stated that I was no longer part of the GEI team and would not accept an offer by them to return to the team.
- A call from Tom Karier to let me know that Council staff would be reviewing the IMP contracting processes and management practices before any recommendation of a contract would be made to the Council. He requested that I be available to talk with staff, which I readily agreed to do.

With this as background, I was deeply disturbed to receive a call that on Thursday, December 5th the IMP Oversight Committee met with GEI. They discussed GEI's scope of work, including

their "consensus" decision that Dunau Associates would not be part of the GEI team. I find this highly objectionable for the following reasons:

- I had already withdrawn from the GEI team. Dunau Associates is not under contract with GEI, and has never received any compensation from GEI. GEI has no basis for representing me or my firm in any way.
- Neither the staff or anyone from the IMP Oversight Committee contacted me to inform me that my involvement with GEI or IMP subbasin planning was a discussion item. Had I been told of this, I would have reiterated again that I had withdrawn from the GEI team and would not reconsider that decision. In sixteen years of business, I can think of no other situation where a committee reviewed my firm's capacity to serve their interests without notifying me, or asking me for any additional information that could be helpful.
- I had been informed by the Council that the IMP contracting process, including any activities pertaining to my situation, were being reviewed. I have never received a call from Council staff to review my activities with the IMP. I do not understand how GEI or the IMP could proceed with a scope of work discussion without that review.

In a call from GEI today, December, 11th, I asked why my firm's name was still a subject of discussion. I was informed that GEI was asked two to three weeks ago to submit a scope of work which included my services. I told GEI I found this extremely disturbing because I was not informed and had told multiple parties I was no longer part of the team. GEI's response was that they were simply responding to a request from the IMP, and informed of the IMP's decision on December 5th. Again, questions of accountability, direction and appropriate protocol abound.

I believe my situation appears to be symptomatic of larger issues that could well affect the IMP's ability to deliver a high quality subbasin plan to the Council for review. For this reason, I would like to request that all issues related to IMP contracts, processes and management be properly reviewed and vetted by the Council before additional actions are taken. If more time is required by the IMP to conduct necessary activities, I am hopeful the Council can adjust the timing of deliverables as necessary.

Such a review should be a prerequisite to any Council vote on contract recommendations to BPA. Further, I hope Council staff directly uses the review to work with the IMP to assure appropriate practices and protocols are followed in the future. At the end of the day, strong Council support and oversight are necessary to assuring IMP actions are viewed as credible to other decision makers and the general public.

I sincerely hope the IMP is able to conduct their work and move forward in a way that serves the interests of the communities in this area. As someone who has seen and supported projects that receive BPA fish and wildlife funding, I know that putting together subbasin plans that are grounded in good science and are inclusive of local support is essential. I would not want to see

credibility issues with the IMP subbasin planning project undermine the ability of worthy projects receiving Council and BPA support.

If you have questions, please contact me.

Sincerely,

Andy Dunau
President

C: Tom Karier
Cathy LeBret
Tony Grover