BPA FEDERAL REGISTER NOTICES

PUBLIC MEETING

SUBSCRIPTION POWER SALES AND STANDARDS FOR SERVICE

SUBSCRIPTION POWER SALES TO CUSTOMERS

CUSTOMERS' SALES OF FIRM RESOURCES

DATE TAKEN: June 2, 1999

TIME: 10:00 a.m.

PLACE: Sheraton Portland Airport Hotel
8235 N.E. Airport Way
Portland, Oregon

COURT REPORTER: Teresa L. Rider RPR, CSR

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ALLEN BURNS: Good morning everybody. We're glad that you took time out of your busy day to join us to talk about a couple of important issues. I know quite a few of you, but there are some unfamiliar faces. My name is Allen Burns, I'm the Vice-president of Power Marketing in the Power Business Line. And basically my part of the program here, other than listening to your comments, is going to be to try to state a couple of objectives we have for the meeting and a couple of ground rules we want to try to follow during the course of the meeting. And I'm going to turn it over to Steve Oliver, who will give a little context and background before we get into the actual program.

The two objectives I was hoping we'd accomplish today, is make sure that when all of you leave here today on these issues, Standards of Service and the net requirements issue, that you at least clearly understand what Bonneville's proposing and why we're proposing that, not necessarily that you agree with it, we hope some folks find value in it. We'd like to make sure that when you leave here today, and especially net requirements, because it's complex, we've set up time in the agenda for clarification, so you understand what we're proposing.

And the second and most important objective is for us to hear from you today, as many folks as want to comment, and I hope folks have signed up. We want to walk away from here knowing where you think we've done things right, where you have issues with either of these two items that we're talking about, and a little bit also why you have the view that you have. That's the most important objective, and we set quite a bit of the time today for the comment section on each of these two items.

And briefly the two ground rules -- the first one is, probably pretty obvious, we're not here to make decisions, so we're going to -- I think we'll have a little interchange at times, but once we achieve those objectives, where you understand what we propose, you've got your views out, we know where you're coming from and why, we're going to try to avoid getting in lengthy debate, because we're not trying to get to a decision today. And that leads to the last ground rule, we want to make sure that everybody who took time out of your busy day today has a chance to get your comments up. We're going to try to move things along so we make sure everybody has a chance to get heard today.

STEVE OLIVER: Thank you for being here today and participating in this forum. Just a couple of quick introductions. My name is Steve Oliver, I manage the Bulk Power Marketing Group for Bonneville. And key staff people we've had working on this, Fred Reddenmund, Dave

Fitzsimmons, have been working on the eligibility topic. Tim Johnson and Tom Miller from our legal office, and Larry Kitchen from the Bulk Marketing group working on the net requirements issues.

What we're trying to do today in terms of an agenda is this morning we'll do some quick context setting and go we're going to hit the eligibility topic. And what we'd like to do with each of these sessions is give a brief overview, answer questions, clarifying questions, and then go into a comment period. We'll take a lunch break at some point, we're going to try to manage around a group next door here, in terms of lunch, getting out a little bit before or after them. Then come back and do a brief overview on the net requirements proposal, answer clarifying questions, and take comments. I understand some of you in terms of time constraints need to get out of here this afternoon, when we set up the comment forum this morning on eligibility, if you need to make your comments on net requirements we'll go ahead and do that. But if you have time, we'd prefer to walk through the different proposals and take the comments sort of in a serial fashion, if we could.

We request that you please sign in. There's some documents that we're going to be referring to on the back table, if you haven't had a chance to get them. And

Carolyn Whitney and Mike Hansen are the two folks that are here working on making sure that if you have comments and you want to get on a list to get up here formally at some point, which we've had some people request, we'll get you on that list, and this table will be available if you want to come up in a panel. We have a panel in some circumstances, if you want to get up individually and not sign on a list, that's fine, too, you can use this speaker microphone in the middle of the room.

When you speak, please identify yourselves, we're trying to take careful notes and document the comments we have here in terms of potentially modifying these proposals.

Why are we doing these policies? Why have we issued these Federal Register Notices. And just looking out here, I was working in California on energy topics in 1981, but I see a lot of you probably working in the region on energy topics and issues in 1981, you probably know who is responsible for setting up the regional act and section 5(b), and you can look around and attribute that as you may.

We're getting ready to set up new contracts for the post-2001 period. We signed contracts following the Regional Act passage in 1981, and those are terminating, and we need to set a new basis for calculating net requirements, the amount of power you can get post-2001, once you've been determined to be eligible, if you haven't been already at this point. Two issues in terms of implementing the subscription policy, post-2001, that are key is are you eligible to take it, and secondly, how much can you take, if you are.

So what are our objectives in terms of these policies? We have several key objectives. The first was to be clear on how we plan to calculate net requirements as the basis for post-2001 contracts. And secondly to document standards for eligibility to take Federal power on a preference basis. Up to this point we've made a lot of those determinations case-by-case, and we haven't documented an eligibility or standards for service type of a policy to date, and given a lot of changes that are happening in the marketplace, in terms of deregulation at the wholesale and retail level, there's a lot of interest from new entities in the marketplace, and we want to make it very clear in terms of what our eligibility standards were.

The second objective was to not depart from our current approach, unless we felt it was necessary to reflect those new market conditions, or to meet needs voiced by regional interests consistent with law.

The third objective was to make it possible to broadly spread the benefits of Federal power within the region. This includes paying attention to interests of Northwest tribes, potential new public bodies, other new public bodies, as well as establishing net requirements for Northwest IOUs as a vehicle for potentially taking Federal power to residential and small farm loads.

The fourth objective was to allow the utilities the greatest flexibility possible with regard to marketing their resources and interacting with the market without penalize go other customer interests while doing so.

The fifth objective was to meet potential future needs of Northwest states that have restructured their markets. I mentioned that before.

And finally, final objective is to retain low cost resources for regional use and benefit.

So what is the process that we're following here? I know these get a little complex. What we're trying to do is in March we put out some discussion papers, some draft discussion papers to start the dialogue on these two issues, recognizing that they were central to implementation of post-2001 agreements. Then we heard through those discussion papers that we needed to clarify the complex net requirements messages, and we agree that they are complex, and we haven't figured out a lot simpler way, but we've worked on trying to clarify those. And we also heard that there was mixed concerns on the Standards of Service. Some thought we were relaxing the standards too much, while others thought we were not loosening the standards enough to meet deregulated market needs. With very minor technical changes, and work on trying to clarify these policies we published the Federal Register Notices on April 26th, and we have proposed a public comment period through June 11th.

We're going to take all comments into consideration and issue a Record of Decision on each policy, and if the Record of Decision substantially modifies the policies as we've proposed them, we may reissue and likely reissue the policy for further comment, and issue then a final ROD at a later date. We'll give a chance, if we do some substantial changes based on comments, to have another look at those before we finalize them. We are interested in your views and opinions on the extent of this public involvement process. And if you believe that we need a longer initial period we're interested in hearing that, as well as if you'd like to see more elaborate comment or review process on the steps to finalize these policies.

Once they have been finalized, these policies have been finalized, we'll be working in cooperation with you, each customer, customer group, through our account executives to use these policies as road maps to determine net requirements and, where necessary, eligibility for Federal power.

The policies will also be used to construct contract terms and conditions to implement the subscription proposals, post-2001. So those policies are not going to be nebulous and referred to obliquely, they're going to be specifically going into contract terms and conditions, and people will be using them as a blueprint when you sit down and work on a contract-by-contract basis to calculate post-2001 contracts.

So just as a really rough overview, context setting. What we're trying to do on the eligibility policy, where we're heading and where we're sort of coming from, our proposal is fundamentally consistent with our historic course of conduct. We've essentially proposed to stay with five out of the six of our standards that we've proposed and applied in the past, I think very consistently. The only standard that we propose to change is the obligation to own the distribution system. In this we believe we made a conservative change proposal relative to the potential alternatives that were available to us. That's where we're coming from, we needed to recognize some changes in the market out there in terms of deregulation and an interest moving that direction, but we don't believe we've made a massive change in this, but we're interested in your comments. And Fred Reddenmund and this panel will be addressing that in just a moment.

In terms of net requirements, once again we recognize this is a complicated area, and what we've tried to do is to start with a benchmark that people recognize, which is the Firm Resource Exhibits that really have been used over the past 20 years as the contract mechanism to implement section 5(b) of the Regional Act. We're going to start with that as a measuring point in terms of net requirements. And then we made an overall assumption, a guiding assumption that all of the resources that were not in Firm Resource Exhibits would be exported. On its face that seems like a negative starting point in terms of a starting assumption, but what we've tried to do is set up a very clear set of criteria and we'll work on clarifying those if they're not clear at this point, where resources that we've deemed to be exported to start with can be brought back or considered to be exported out decrement to the net requirements for utility through a set of what we feel are clear and fair standards for qualifying as permissible export.

I think this, in turn, our goal here was to once again allow each individual customer and utility to participate in the market while retaining your net requirement to take Federal power.

This approach also recognizes the fact that some utilities may not want to share as much information in current market circumstances as we've had in the past. And depending on the legality of net requirements, they may want to establish the function of export, something you want to let ride, and it's not an issue to you with the Federal power you would take under contract. And that would allow you to basically determine yourself whether or not you wanted to come in and share that information and work on a larger net requirement. So Larry Kitchen and Tom and Tim will be working in a panel this afternoon taking comments and clarifying that policy.

The last thing that I want to talk about real quickly was NEPA coverage. And what we've done in terms of NEPA coverage for these policies is that on December 21st, 1998, BPA issued the Power Subscription Strategy Record of Decision, and that Record of Decision was within the scope of BPA's business plan environmental impact statement that was issued in June of 1995. And that ROD on the subscription policy addressed both section 5(b) and 9(c). So that forms, from our point of view, the 1995 business plan, EIS forms the basis for our NEPA coverage on these policy actions. If you want to have further discussion on that, that's something else we could talk to you about and put you in contact with the correct people in Bonneville to talk about that.

We'll keep going on the eligibility question now. Is there any general questions in terms of context or times or form at of the meeting? If not, we'll get going.

FRED RETTENMUND: As Steve indicated, my name is Fred Rettenmund, I'm an account executive for Bonneville's Power business Line in our Spokane hub. What I'll do is briefly give an overview in the Federal Register Notice. I'll kind of hit some of the highlights before we get into the clarifying question, and then the comment section.

You're all familiar, I'm sure, with our subscription strategy that we published in December of last year, and that indicates that new public agency customers that would be -- that would form and would qualify for service would be offered power at the PF rate. And so a big part of what this standards for service and eligibility piece is about is what -- who, in fact, would qualify for PF power. While our standards for service cover all types of entities that would purchase from us to sell -- to resell at retail, I think it's fair to say that there's been some particular interest in what it would take to qualify to be a new preference customer.

The Federal Register Notice briefly outlines the key provisions of our statutes relative to preference and standards for service, and also sort of enumerates the six that are up over here on the board, as well as Steve indicated lays out a proposal that we need to take comment on.

Before you really get to the Standards for Service there's kind of a threshold issue with respect to being a preference entity. And that is basically that the Bonneville Project Act, which is one of our key pieces of legislation, indicates that to be a preference customer you have to be a public body or you have to be a cooperative. And it defines the characteristics, essentially, of those two kinds of entities. Key to that is being a nonprofit, sort of at-cost entity. That's real important, we'll talk about that a little bit more later.

Also the Project Act indicates that the public body or cooperative needs to be in the business of selling and distributing the Federal power. The Act goes on to talk about that we need to provide a reasonable time for the entity to form, to arrange for whatever financing it may need, in particular financing to either construct or acquire the distribution facilities necessary to provide the service.

Now a key part of our history on this is to date Bonneville has always interpreted the provisions of the

Bonneville Project Act and applied those in our Standards for Service review of new applicants to require the ownership of distribution facilities.

Steve mentioned this also in his opening remarks. We've not formally went out like this before in a public forum and went through our Standards for Service. We've traditionally approached new applicants for preference status on a case-by-case basis, and had an exchange of correspondence between that applicant and ourselves, so this is really the first time we've went out in this kind of forum.

The existing Standards of Service are over here on the board, I don't know if any of you can see them. They're also, of course, in the Federal Register Notice. But just in real short form, those boil down to the entity needs to be legally formed, it needs to own a distribution system and be ready to take Bonneville -- power from Bonneville. It needs to have a general utility responsibility. It also needs to have the financial ability to pay for the product we're selling to them. It has to have an adequate utility operations and structure to perform the task necessary to distribute the Federal power. And it also needs to be able to purchase in commercial or wholesale amounts.

We are making the one proposed change or addition and that would allow ownership-type lease arrangement, and we'll talk about that in a little bit.

I'm not going to go through all six in any detail, you've, I'm sure, read the Federal Register Notice. The distribution system and the general utility responsibility are probably real central to the input we'll receive today, so I'll give you a real quick overview of some of the aspects of that.

On the distribution aspect of this the performance of or the responsibility for the distribution function is really seen as one of the central ways in which we can have assurance that the purposes of selling Federal power to this entity are achieved. Now, what are those broad purposes? And again we go back to the Bonneville Project Act for most of the direction on this, it's widespread use, the non-monopolization of the Federal power, and also a yardstick for competition in the marketplace.

Key to that last one is that the power that Bonneville sells on this kind of basis would be passed on through at a cost basis to the end use customers. That really has two dimensions, the first is that the wholesale power cost would be passed on through on a cost basis, but also the cost of providing the power, the distribution function would also be achieved on a cost basis. I'm sure we'll get into some more discussion on that a little later.

General utility responsibility, that basically assures that the Federal power would be sold on a nondiscriminatory basis, but frankly with particular benefit to the general public, and domestic and rural customers, is the key part of that. And basically this means that a retail customer that requests service from this potential preference customer, any type of retail customer, would have a right to take service from the preference entity.

As we indicated, we're making a proposed change to the ownership standard for service on distribution, we're seeking comment on that. Why are we making this proposed change? Well, there are a number of items. One is that it appears to be consistent with DOE policy. There are other power marketing agencies, and while they operate under different legislation, one of the reasons is the DOE policy. Also the proposed change may provide some additional flexibility for some parties in the region to pursue preference status. And thirdly, it's still consistent with the law, with essentially the Bonneville Project Act.

Now, this ownership-type lease, I think it's fair to ask, of course, what are the attributes of an ownership-type lease? And I'll enumerate here the three or four most important ones. The term of the lease would need to be for the life of the distribution facilities or however long the power sales arrangement was with BPA for the Federal power. For instance if it was a five year power sales arrangement with BPA, the term of the lease, this ownership-type lease would have to be at least five years.

The lease would have to give the preference customer the right or the responsibility for operating and maintaining the system and controlling the costs of the distribution system. That's a real key component.

Also, this transaction, this lease arrangement would have to be conducted in an arm's-length kind of approach between the two separate parties.

And lastly I guess I would mention that while the potential preference entity could perform the operation and maintenance themselves on these distribution facilities that they're leasing, they could also contract that out, but they'd have to be able to contract that out and put it out essentially for bid and have that ability to have a third party do that, have that conducted and selected in an open, competitive process.

The last part of what's in the Federal Register Notice, and while it is not a part of our proposal, we did describe a potential other approach, called the contractual capacity rights approach. And the long and short of what that boils down to is you're all familiar with how basically transmission arrangements work. You will basically have a contract wherein you will, with the transmission owner, you will have a right to use a certain amount of capacity on the transmission lines. This concept essentially takes it down to the next level and says that the potential preference customer would be able to contract for capacity on the system, it wouldn't have any responsibility for the O and M, but would simply have the capacity arrangement in place. Again, that's not part of our proposal, but we know there is interest in the region in that, so we put it in the Federal notice.

That's a quick overview of what's in the Notice. And I think if we could now turn to the clarifying question part of it, before we get into the comment session. We're here to attempt to answer your questions, so anybody have a question they want to pose?

JIM HARDING: Jim Harding, Seattle City Light. And I picked up this DOE memo, which I've read through on the City of Needles case. And there's no date on it, but by my recollection, Jack O'Leery, that dates back to the James Schlessinger and the Carter years. I'm wondering if there's been any effort to seek out DOE's opinion on leasing or buying transmission -- distribution systems after that date, this is probably, my guess, 25 years old.

FRED RETTENMUND: I'm going to allow somebody from OGC to answer that.

TIM JOHNSON: I think the memo is from 1978, and we have had some discussions with folks at WAPA in which we did ask the questions about their familiarity with lease arrangements after that memo went out. At this time WAPA is sort of in the same position sort of as Bonneville, whereas the type of lease arrangements that could be possible have not yet been defined, so there really hasn't been a lease arrangement that's been executed for a distribution facility.

JIM HARDING: I guess the second question is there's been lots of storm and fury around the country mainly that FERC has had to deal with over what's a duly constituted utility and other things like that. And I wonder whether in defining this policy you tried to square it up with FERC's opinion that would create a utility under the Federal power act?

TOM MILLER: That's a good comment. One of the reasons that we are proposing this policy is to examine what changes may be necessary to bring our policy in line with what FERC has done, and also with the Department. Prior to publishing this proposal we did send a memo back to the Department so they're aware of this. But as to your question as are there sort of other memos or other opinions of DOE that are applicable, at this point we're not aware of them. This has been sort of a guiding -- City of Needles has been sort of the guiding memorandum for all the power marketing associations or agencies.

FRED RETTENMUND: Any other clarifying questions?

NOEL SHELTON: Noel Shelton with Energy Services. Do you currently serve any customers who do not own their delivery facilities?

FRED RETTENMUND: Well, I know the vast majority own their distribution facilities. I think there may be one or two. I personally don't work with any that don't own their distribution facilities. I don't know if anybody else on the panel has got any information. I think there's probably a case out there somewhere that does not own. I think it's the rare exception.

NOEL SHELTON: And second question, what are you defining as delivery facilities? If you start with the meter, and work back from that, upstream, where do you draw the line? What constitutes a delivery facility? Do you need to own the transformer, do you need to own the breakers, do you need to own the distribution lines, do you need to own the meters, what exactly are you defining delivery facilities?

FRED RETTENMUND: I think some of that would be on a case-by-case basis, you'd have to look at the local transmission system and see specifically where, for instance, that Bonneville facilities end; clearly from there on it's likely to be defined as distribution, although there are clearly cases where the local utility also has transmission. But, Noel, I think it's best to say we would have to look at a specific case. But it's the lower voltage facilities, the transformers, meters, as you mentioned, and basically everything that allows that utility to perform that retail function and sell to end users.

NOEL SHELTON: You're going to evaluate this on a case-by-case basis on their ability to perform the utility functions?

FRED RETTENMUND: I think that would be a fair answer at this point. I also think we'd need to look at the specific situation, and assess -- everybody's distribution voltage and situation does vary, so you can't make a blanket statement that distribution starts at X voltage.

JOHN SAVEN: John Saven, from Northwest Requirements Utilities. In the criteria you had proposed there was a discussion for ownership-like lease to either have a long-term ownership-like lease or a discussion of a commitment to Bonneville for purchase of resource. Is there a minimum threshold of time that you were contemplating for the commitment to purchase from Bonneville? Could it be a year, three years, five years, 20 years? What is the minimum?

FRED RETTENMUND: Well, I don't know if we had a specific minimum in mind. I'll tell you what I had in mind. We know in the subscription proposal or strategy, we articulated two contract terms, at least, three and five, and of course longer, ten. So that's what I had in mind, three, five, ten. I didn't have a year in mind. But we -- if there's a concern, we need to get some input on that kind of issue.

JOHN SAVEN: Thank you.

BILL DRUMMOND: Bill Drummond with Western Montana G & T. I want to follow up on Jim's question. I understood that its recent offer to Indian tribes, that Western had agreed that the tribes did not need to own or lease distribution facilities in order to receive that power, is that your understanding?

FRED RETTENMUND: Yes, that's our understanding, but I think we need to -- I'm going to turn it over here to somebody in General Counsel, the legislation that WAPA operates under is different from the Bonneville Project Act, and there are noticeable differences in those.

STEVE OLIVER: Actually, the situation as I understand it with WAPA is that they have not considered the tribes as a public preference distribution utility. They are considering them as end-use preference bodies. And the type of transactions that they're setting up would be similar in one case to the residential exchange kind of a concept where they would ask the host utility to pass through the value of Federal power to those entities on a financial basis and/or to voluntarily wheel to metered tribal loads within their service area to provide that power and that benefit. And so as I understand it they would be considered as an end-use public body rather than as a public preference, public utility public body.

BILL DRUMMOND: So, I understood that some of the tribes had expressed an interest in receiving sort of the cash out, if you will, out of the residential exchange, but I also understood that WAPA was going to make available power to the tribal entities. So what you're saying is that although the tribal entity would be considered by WAPA to be the end-use customer, in fact they would also then in turn be providing that power directly to individual tribal members?

STEVE OLIVER: I'm trying to respond to your comment in terms of clarifying. I don't want to represent WAPA. I've had some conversations, we've had some conversations with the Billings area office of WAPA. I think they're still in development on their policy, and our understanding was, as I just expressed it, was that they're really working toward providing benefits as an end-use public body. But they may be looking at them as a preference customer public body, as well.

FRED RETTENMUND: Any other clarifying questions? Well, if not, we can turn to the comment portion of the agenda. I'm not sure, I don't have the sign-up list.

STEVE OLIVER: I do. In terms of the comment order here we'd like to first call a panel from the State of Montana of Steve Doherty, Bill Drummond and John Hines. And secondly Jerry Leone would come up, and if you'd like to, we have this table available with this microphone, and a panel situation, or you're free to stand up at the microphone, as well, but I think for the Montana panel this would probably work out best.

JOHN HINES: My name is John Hines, and I'm representing Governor Roscoe's office today, providing comments to you. My comments, verbal comments will be short, we'll be submitting some written comments by the deadline.

Montana is different than the rest of the region, and before I go down that path much farther, I want to clarify what I mean by that. I'm speaking in this arena strictly on electric energy restructuring. We have restructured our industry, and so we're different than the rest of the region. But we're not unique. Many states throughout the country have also done this. And as well as comprehensive review, which the four governors of our region got together and put together, they also -- the final report in that review put forth the recommendation for retail restructuring. And I guess another example is that the Department of Energy in their most recent energy restructuring legislation, they also recommend retail choice, actually a requirement for retail choice with an opted-out provision, which is similar to what Montana's legislation has.

So I'd like to just put forth the proposition that what Montana has done is reasonable, and it should not be dismissed by whatever sort of rules are put forth here in the distribution of Federal power, and we request that our position be accommodated.

Bonneville and Montana need to work together, I guess, to -- and we're putting forth the effort and extending the offer to continue to work together to both allay Bonneville's concerns regarding statutory requirements and our need to try to obtain a fair share of Federal power.

Just take a quick aside, here, and just speak about this concept of regional unity for a minute. Montana, like Oregon, Washington and Idaho, we're all connected, interconnected to the region by a unifying theme, and that theme, of course, is the Columbia River and all of the benefits that go with it.

In Montana we have approximately 38 percent of the U.S. storage capacity in the region. We provide approximately 500 megawatts of peak capacity from those reservoirs, and over 300 average megawatts of actual energy. And further, we are a net exporter of electricity. We also operate as a vital component to flood control for our downstream neighbors, neighboring states.

Now, those sort of things have come at a cost to us, both the construction of these storage reservoirs, and the continuing operation of those reservoirs, but we recognize that those costs are part of being good neighbors, part of becoming part of an integrated system. And I guess what we're extending as a thought to you today is that we just want to be treated as neighbors, as well.

That's sort of the end of the sermon, there. Recently Montana passed some legislation, which has been the subject of a great amount of discussion throughout the region, and that's what Senator Doherty, here, who is a sponsor of it, has been called co-op legislation. But in reality it's legislation addressing default supplier issues in Montana. That is for those consumers who don't have a choice in electricity, once we go through our transition period, who are asking us to supply them electricity. So that's what the bill actually does. And what it does, it addresses small consumers, small consumers only. And what we're trying to do here is have an opportunity for this default supplier, whoever is chosen to be a default supplier, to have access to Bonneville Power.

And in that regard I'm going to make two comments regarding the Standards of Service. The first comment addresses the requirement, Bonneville's current requirement that the utility must own or under the proposed change have an ownership-type lease of the distribution system. It was interesting to hear that the case, model case that's been -- these rules have been predicated on, has been in effect for over 20 years. And as we all know, there's been significant change in the electrical industry over that 20-year period. The rationale, as I understand it, for this rule, is it's necessary to have control of the distribution costs in order to insure that those costs are then kept low and the benefits are passed directly on to the end use consumer. We support this policy and goal. We think it's laudable, and we have -- whatever we propose, we do not wish to change that. However, we do disagree that this ownership requirement is necessary in order to accomplish those goals. We feel that it's impossible for suppliers to meet this condition in a deregulated environment. In Montana, while we deregulated supply, we have continued the regulation of distribution. And our Public Service Commission will regulate both the costs and the pricing of such, of this commodity. We have a used and useful type of evaluation, as well as a prudence review. So those costs will be examined and we can ensure that the benefits would be passed on to the end user.

So in summary on that point, we think PSE oversight can accomplish Bonneville's objective.

A second point on this obligation to service. And my understanding is that Bonneville states that this means the utility's responsibility to serve all requesting customers, limited by either service area or franchise restrictions. Once again, we're comfortable with the goal. However, we submit that per our legislation that was recently passed and approved, any default supplier that's approved by our Public Service Commission, the default supplier is given this responsibility to serve. It is constrained by franchise conditions, statutorily imposed franchise conditions, and that means we have limited the default supplier to small customers. So we feel that we can meet your conditions, it's just that we have a distinct type of franchise, statutory-imposed franchise conditions.

In conclusion, we just hope to work with Bonneville and suggest that they continue to be flexible in developing their rules, while meeting their statutory constraints, and to assure people, the people in the audience and Bonneville that Montana, at least from the Governor's perspective, is not out after a power grab. We only want to obtain a certain amount of fair, equitable distribution of power for Montana. Thank you.

STEVE DOHERTY: Thank you, John. My name is Steve Doherty, I serve in the Montana State Senate. And I was just thinking about this, I've been coming to Portland for the last 20 years to talk about energy issues. The first time was trying to explain to the people in the Pacific Northwest where Colstrip, Montana was.

I'm the chief sponsor of Senate Bill 406. Senate Bill 406, and I may bore you to death with a little bit of legislative history in Montana, but I think it's important to discuss a little bit of that history, so we have a good context to review what Bonneville's proposed rules changes are, because I think what we have done in Montana, some may feel it's a fool's folly, other may view as enlightenment beyond belief, but that's where we're at, and we're going to have to deal with it.

Restructuring law in Montana initially that was passed two years ago only dealt with the deregulation of supply. Distribution services would still be regulated by the Montana Public Service Commission. It's also important to note that the bill, Senate Bill 390, did not authorize or encourage IOUs to sell their generating assets. And I think in that context when we talk about what happened in the recently concluded session of the Montana legislature, it would give you an idea of why we started looking around at opportunities to try to come up with a good base of Federal power for Montana consumers.

First thing that happened was in 1997 Montana Power Company, our largest IOU, surprised everybody, except themselves, I think, when they decided that they wanted to sell their generating plants. In August 1998 we then discovered that they wanted to get out of the electric supply business, electricity supply business all together. That set us into a flurry of activity in Montana trying to figure out what they were going to do with this new situation.

The bill, Senate Bill 406, and I would like to claim extreme pride of authorship, but I can't, because it was a wide cooperative effort between, I think, the

Governor's office, the IOUs, the public power folks, the environmental community in Montana and the consumer community in Montana, it allowed the formation of electricity buying co-ops to act as default suppliers in the event a IOU -- those individual consumers did not make a choice. Second, it established a competitive process by which the Montana Public Service Commission would determine who the default service supplier would be in that territory. The obligation to serve, I think, is key for the default supplier. The obligation is to small consumers only. We figured that large industrial and commercial customers in Montana, and I know this may come as a shock to all of you who follow the power kind of bumblebees around the Northwest, but we figured they were able to speak for themselves. And the problem was in Montana, from my perspective, is that when you have a small consumers where was the market going to go, how do you aggregate those consumers so that they have an opportunity to compete favorably in a competitive market? That's why the bill is specifically crafted for small consumers. The big folks, they know how to take care of themselves and are well able to do it in meetings all over the region, that I have ever seen.

The standard of service that we're talking about is that the obligation to serve in this legislation, by statute, requires the Public Service Commission to determine which entity, and we can have a small -- we can have a consumer buying co-op, cities can qualify, anybody can really qualify to be a default supplier if the Public Service Commission will make that final cut and call and determination of which entity will be the default supplier, but that entity, once chosen, is required by statute to serve all of the assigned customers. I think that's a clear obligation to serve and a clear following of the BPA act, as well as the goals and function of the BPA act.

The second question is, obviously the ownership-type lease. And when I read the BPA act in section 4(d), which requires the agency to afford public utilities reasonable time to arrange financing, to construct or acquire necessary and desirable electric distribution facilities, and looking at necessary and desirable as a conjunctive, I think the option that we have, that we built into the act where we're talking about purchasing capacity definitely moves us in that direction and also I think the flexibility, amazingly enough, in the 1937 Bonneville Act, is there in the statute to accommodate the move that Montana made to accommodate the various interests in our state as far as allowing flexibility in the statute under these type of arrangements for acquiring capacity.

Now, the safety net, really, is that the Public Service Commission will still regulate the IOUs distribution system, they will also, and it's important to note, that this cooperative, although other cooperatives are not subject to PSC, it's a unique animal in those terms. And I think that safety requirement in terms of meeting the goals of the Bonneville Power Act for residential consumers is an important consideration.

Now, I didn't support the initial restructuring bill two years ago, but we have it, I lost. What could we do then in Montana, in my estimation, in order to provide protection to small consumers? The thing, and the animal that we came up with was the default supplier buying co-op. And I think with the statutory provisions that we have enacted in Montana I would hope that the folks at Bonneville can accommodate a little diversity in the region about where we're at. The other states in the region have not seen the wisdom or the folly of going to electric deregulation. We've gone down that path. I think with some accommodation and some flexibility, everybody can come out a winner in terms of the safe, reliable, economical supply of energy that we need to make sure it happens in the Pacific Northwest.

BILL DRUMMOND: My name, again, is Bill Drummond, I'm the manager of Western Montana Generation and Transmission Cooperative. The comments that I'm giving this morning are basically draft comments that have been submitted to my board for approval. We will be submitting final comments by the June 11th deadline, or whenever the deadline is.

Western Montana G & T commends Bonneville for acknowledging the significant changes that are sweeping the electric utility industry. It can be a difficult task to try to update interpretations of laws that have been in place for perhaps up to 60 years in order to make them relevant to today's circumstances. And that's exactly the task that Bonneville faces in reviewing the 1937 Project Act, Bonneville Project Act, and trying to develop new Standards for Service.

While Bonneville has made a good effort to modify these standards the proposal does not go far enough to accommodate these industry changes. Western Montana G & T recommends that the proposal be modified to acknowledge the unique circumstances faced by consumers in states that have already adopted utility restructuring legislation. In particular, regional preference entities in states that have distribution system open access requirements, Public Service Commission regulation of distribution costs and have a utility obligation to serve must be allowed to purchase preference power from Bonneville. The Standards for Service should be modified to comport with the changes occurring in the electric utility industry.

And in particular Western Montana G & T supports the capacity rights concept included in Bonneville's proposed standards.

I've got comments on three specific areas, the distribution function, the obligation to serve and third, operations and structure.

With respect to the distribution function, as the other speakers have noted, we do not believe that ownership is a necessary condition -- ownership of the distribution assets is a necessary condition to obtain preference power for several reasons: First of all, as Steve just pointed out, the 1937 Project Act doesn't require ownership, in our view. Section 4(d) talks specifically about giving utilities the time to construct or acquire the necessary and desirable distribution facilities. In states that have required distribution system open access, ownership is not necessary nor may it be desirable.

Second, Bonneville's proposal contravenes the Administration's restructuring proposal. Bonneville's proposal may indeed punish states that adopt exactly what the Administration is supporting.

Third, the ownership of transmission is not a necessary condition for preference power, because, one, now particularly you have open access, and second, there is Federal Deregulatory Commission regulation of rates ^ . In Montana the analogy is exactly the same. The distribution system will have open access and the costs of the distribution system be regulated by the Public Service Commission.

There is still an important question, and Bonneville raises it in its comments about will the benefits of cost-based Federal power be absorbed by the distribution owner as monopoly rents? In other words, will consumers actually see the benefits of cost based power or will they get absorbed by the person who actually owns the distribution system. In Montana, again, regulation by the Public Service Commission will prevent the distribution system owner from charging monopoly prices for that system.

And fourth, as my colloquy with Steve Oliver pointed out, I understand that WAPA -- Western Area Power Administration, is offering two Indian tribes power from the western system without requiring the ownership of poles and wires. I understand that there is a difference in organic statutes, but that gets back to my first point, that the 1937 Project Act doesn't require Bonneville --

doesn't require ownership of poles and wires.

Let me turn to the obligation to serve. This has traditionally been associated with the area bounded by the utility service area. With restructuring, that obligation may no longer exist. In Montana the obligation to serve will reside with the default supplier that would be designated by the Public Service Commission to serve the loads that are less than 100 kilowatts. Bonneville's own words in the draft policy state that this obligation to serve "assures that Federal power will be sold by the applicant in a nondiscriminatory manner for the benefit of the general public and particularly of domestic and rural customers." That's exactly the set of customers that will be served by the default supplier.

Now, Bonneville has also mentioned, both in the policy and in some correspondence with the State of Montana, a concern regarding the size restriction in the Montana law. And John got to that in his comments, that the Montana law says the default supplier's requirement only goes to customers that are 100 kilowatts or less. Bonneville, itself, also then goes on to suggest that if there are certain franchise restrictions that limit this obligation, that that may not be a concern. And that's exactly the case in Montana, the legislation specifically says that default supplier can only serve customers less than 100 kW. And second, I would point to section 4(a) of the 1937 Project Act, which describes the purpose of the Bonneville Project Act and in particular that the benefits of the Bonneville project would go -- would be used particularly for domestic and rural customers. And again, those are exactly the customers that will be served by the default supplier.

One final area, just to touch upon, has to do with the operations and structure. The issue here is whether the "applicant has the ability to fulfill its responsibilities and duties under a power sales contract." The proposed standard goes on to explain that Bonneville will examine the applicant's ability to perform metering, billing, operations and maintenance, et cetera. In Montana we have a somewhat different situation, because, for example, metering is the obligation of the distribution system owner. So our comment is that the proposal, or the policy should explicitly state that Bonneville is really only interested in whether the utility can meet its Power Sales Contract obligations, not whether it actually has to go on and perform the metering, billing, operations and maintenance, et cetera. Those are our draft comments, and I'll be submitting final comments by the deadline.

FRED RETTENMUND: Unless you have any further comments you want to add, I think we'll call the next commentor. Thank you very much. Jerry, I think it's going to be you.

JERRY LEONE: I have a difficult time following rules, so I'm going to give you some remarks on both of the two proposed policies, due to my schedule, I'm sorry. My name is Jerry Leone. I'm the manager of the Public Power Council. We're a trade association that represents about 114 municipal utilities, rural co-ops and people's or public utility districts throughout the Northwest on Bonneville-related issues. Thanks for this opportunity to comment.

The primary message I have today is we believe it would be very useful if we had another two weeks to comment. Unluckily for you, our executive committee meets tomorrow, and both of these subjects will be covered. We have been having extensive and very good discussions on both of these two policies, and I do not think we will be ready to have anything for you by June 11th, so we're asking for a two week extension.

Let me turn to the policies, themselves. I'll start with eligibility. And these are truly preliminary. To some degree there has -- well, to a great degree there has been a major discussion within Public Power about the eligibility and Standards of Service, what to do, what to do. From our perspective the real driver behind the proposal is the increased interest by some regional parties in becoming eligible to buy Federal power at the PF rate. Clearly we've heard the Montana story this morning. What causes a great deal of discussion between Public Power is not really the Montana situation, however. One of the our major worries is that what we might refer to as loosened service standards could be implemented in the manner to allow the formation of what some might call illegitimate preference utilities. I think a for-profit cooperate entity creates and controls a public utility cooperative in order to serve the City of Portland with Federal power that's been purchased from BPA. And we're worried that this revision to your Standards of Service may encourage the formation of that kind of utility, in other words, one that does not serve at the directions of the consumers who own them, but exist for the sole purpose of enhancing the for-profit bottom line.

Let me turn to what's not on your discussion right now, the net requirements policy, and I'll probably be referring to it as 5(b), 9(c). This deals with two of public power's life lines; our legal right and ability to purchase our firm net requirements from BPA and our use of our own generating resources. Again, these comments that I'm giving you are very preliminary, but here they are:

We believe that the proposed 5(b), 9(c) policy in combination with the final products described in the subscription strategy may force utilities to purchase Federal power in excess of their net requirements. At the same time we think that the proposal may impose a de facto pricing policy, whose effect may prevent preference customers from buying their net requirements at the PF rate. With respect to a utilities owned resources, we think it expands the application of section 9 of the Northwest Power Act in a manner inconsistent with statute.

In short, we think the proposed policy risks impairing public power's legal rights, at the same time it imposes significant new administrative burdens. We're not certain that the proposal solves a current realized BPA problem in the process. In fact, we wonder why the policy change in the first place. Some BPA reps, naming no names, have said that the proposed policy is meant to target the regions IOUs, but it seems to directly implicate us.

If your objective is to target IOU resources, then the policy is not consistent with that goal and we suffer the collateral damage.

So, that being said, we again would like another two weeks to comment. And I hope I am not, as the popular phrase goes, in front of the headlights here in front of the 5(b), 9(c) thing. Thank you very much.

FRED RETTENMUND: I think the next commentor is Margie Schaff. Margie, are you here? And then Steve Weiss will follow Margie.

MARGIE SCHAFF: My name is Margie Schaff, and I'm with the Affiliated Tribes of Northwest Indians. The Affiliated Tribes applaud the application of preference status to Indian tribal utilities that meet the Standards of Service established by Bonneville. The tribes recognize the importance of reasonably priced, reliable and consistent electrical service to their reservations. Power is a basis of infrastructure that's a cornerstone to their economic development. And as tribes move into the new millennium, we will further our cultural and economic development by assuring access to the basic community services and to managing these services in a way that meet the needs of the reservation, the tribal culture, and the region.

We appreciate the opportunity to participate as preference customers in this discussion, and to provide our comments on the proposal. The wealth of tribes has always been tied to the rivers and natural resources. The economies and those natural resources have changed over time, but basic relationships, rights, obligations, promises and the different treaties between various tribes and the Federal government remain the same.

Tribes have a different political status to Bonneville than do other customers, due to the tribal trust responsibility and due to the government-to-government status established by executive orders and policies.

Many treaties guarantee rights which are related to and affected by the operations of the river systems and the sale of power. Federal actions affecting the river systems over the past 60 years have not lived up to the obligations of the trust responsibility, even though those responsibilities have been consistently espoused by Federal courts since 1831.

The trust responsibility derives from the Federal government's original purposeful destruction of tribal livelihoods and economies. The Supreme Court in Seminole Nation versus U.S. described the trust responsibility and held that the Federal government has charged itself with moral obligations of the highest responsibility and trust. Its conduct, as disclosed in the acts of those who represent it in dealing with the Indians should therefore be judged by the most exacting fiduciary standards. The same trust principles that govern private fiduciaries, also define the scope of the Federal government's obligations to tribes. These include, one, preserving and protecting trust property, including a trust duty of protection when off reservation actions affect tribal rights; two, informing the beneficiaries of the condition of the trust resources; and three, acting fairly, justly and honestly in the utmost good faith and with sound judgment and prudence.

Courts commonly reiterate that the trust imposes on the U.S. an overriding duty to deal fairly with Indians wherever located. Laws passed and treaties signed are to be broadly construed to protect tribal interests.

While history has not always exemplified the Federal trust responsibility, ATNI is happy with the current continued government-to-government consultation between the Administrator and the tribal councils, and the Administrator's willingness to listen to and consider tribal concerns and to exercise her trust responsibility . We therefore make the following comments to the proposal: First, tribal utilities formed under tribal laws to service reservation lands should be interpreted either as public bodies under section 3 of the Bonneville Project Act or as cooperatives. Limiting tribal utilities to the status of cooperatives limits our ability to use tribal tax exempt bonds and other financing forms stemming from governmental status. It also insults the government-to-government status between the tribes and

Bonneville. Importantly, some elements of sovereignty inherent in tribal governmental bodies may be lost by creating cooperatives. Lastly, a cooperative created under tribal law is a form of a new utility. This adds risk and therefore cost when obtaining financing.

Tribal governmental bodies have standard financial arrangements used to raise capital for infrastructure projects on reservation lands. And while section 3 of the Bonneville Project Act does not specifically mention Indian tribes along with "states, public power districts, counties and municipalities, including agencies or subdivisions thereof", numerous other statutes which do not mention tribes have been interpreted to include them to further the intention of law.

Obligations under Indian law and the Federal trust responsibility allow the Administrator to consider a tribal utility to be a "public body," preference entity. Regional tribal loads total less than 50 megawatts. However, no tribe will likely form a utility if they're prevented from obtaining the best type of financing possible to make those utilities economically feasible.

Our second issue is timing. We support the opportunity of tribal utilities to subscribe to lowest cost Bonneville Power throughout the 20-year period under flexible rules, allowing a reasonable time to determine engineering, economic and managerial feasibility for utility establishment and to establish boards and obtain financing.

Counties and cities have historically and traditionally been eligible preference customers, while Indian tribes have known of this opportunity for a very short period of time. And we still don't know all the requirements necessary to form our utilities. Upon clarification of the Standards of Service we'll still need to negotiate with suppliers and current service providers. The current proposal does not provide us with time necessary to accomplish utility responsibility. We request an extension of that time. And perhaps tribes and other new customers could be provided the right to subscribe to the lowest cost power available to other customers as their contracts expire throughout the 20-year period.

Third, ATNI supports Bonneville's approval of ownership-type lease arrangements for power distribution to power customers. We further support Bonneville's approval of contractual capacity rights for delivery of Bonneville power. These are consistent with DOE policies of open access, and encourage competition. With the unbundling of services throughout the utility industry, there's no technical or commercial industry to require a utility to own its wires. If there is a true and valid public policy reason for limiting preference, that should be addressed directly and not hidden behind an ownership of wires issue.

Leasing or shared capacity keeps down costs by eliminating the need for redundant facilities. Because the Fort Mojave Indian Tribe in Nevada has lands interspersed with private lands and they were required to own facilities back in those days by WAPA, they built an entirely redundant distribution system to service tribal members, and this policy is nonsense. The policy of leasing or contractual capacity rights works beautifully in the high voltage transmission system. The policy of leasing or contracting for delivery systems encourages cooperation and community among utilities serving different customers in the same proximity. We also support Bonneville's suggestion of reliance on governing law to determine who will have the obligation to serve and to own wires, should the open access laws be passed by the states or the tribes.

We suggest that any lease or contract for use of the wires be for the life of the Bonneville Power supply contract, and not for the life of the facilities as is suggested in the Federal Register Notice.

ATNI looks forward to an exciting and cooperative relationship with Bonneville and with its other utility customers. And we again appreciate the opportunity to be here and comment today.

FRED RETTENMUND: Steve?

STEVE WEISS: Steven Weiss from Northwest Energy Coalition. We represent about 90 organizations in the Northwest, utilities, both private and publicly owned, consumer groups, environmental groups.

First question is why are we interested in this issue at all, and especially since we represent groups, some in Montana who help passed the Montana bill, some in other states that would probably oppose very much any granting of preference to Montana. But we believe that we need to try to make subscription work. If it doesn't work, we think that the whole Northwest is at risk for having a Bonneville preference cost-based power taken away from us by the rest of the country. And so mostly we're here to try to come up with solutions that will make us able to move forward in a unified way. These are preliminary comments, we came here to listen to -- and maybe change some of these ideas, if we can learn something.

Our goals are for a temporary solution. We don't think that this is the time for a major debate on the act or on preference. It's a dangerous time in Washington to have to debate this, it brings in all sorts of other parties that don't have Northwest interests in mind, and so to make this an excuse for changing the definition of preference is, we think, just a terrible idea.

Our resolution, however, may be preference does have to be changed, and we'll have maybe before 2006 we can revisit it, if we feel it needs to be changed. But at the moment we would favor a solution as temporary, and that keeps us together, but doesn't blow up the whole issue in Congress.

Thus, our proposal deliberately sidesteps the issue of how an entity is determined to be a preference customer. Instead we focus on who should get subscription, which is really the basic issue that's probably motivating most folks, anyway. Who gets the low cost, cheap stuff and how do you divide it up. This is the political issue. Maybe we can solve that issue, rather than focusing on what becomes a new preference customer.

Obviously Bonneville has decided that its subscription strategy is that IOU customers may get subscription, even though they're clearly not preference customers. So the issue is more how to divide up the subscription power rather than how do you determine what a new public utility is. We agree with Jerry Leone, that we don't want to open the door to a new flood of sham utilities that might form. And especially we don't want to change the fundamental subscription allocation that's in BPA's current strategy. If new utilities can form quickly, and large utilities can form, you obviously change the whole balance, which is a fairly delicate balance, and being pushed by all sides right now, on how -- who gets Bonneville subscription power. So we don't want to change that balance. But we also don't want to penalize movements towards restructuring, such as the Montana buying co-op or tribal aggregation, to penalize them with loss of subscription rights.

So what we are proposing is a new standard, not a standard on becoming a preference utility, but simply a standard of how you get subscription that would accommodate some of these issues without blowing open the whole system.

What we propose is that in addition to BPA's present proposed lease-type arrangement test for compliance, we propose that a state or a tribe mandated entity could qualify for Federal service. I'm not saying they qualify to be a preference utility, but they qualify for subscription service, only to the limited extent of the BPA residential and small farm subscription, if it met the following criteria, in addition to No. 1, 4 and 6 that are up there. First, that this new entity should have a long-term contractual or legislative direct access right to use distribution facilities for a service territory. However, the distribution facility owner could still operate and maintain the distribution system. Second, that this new entity be designated by affirmative state legislative or sovereign tribal as to have the general obligation to serve all of its residential and small farm customers in the service territory.

If an entity met these two requirements, what would it be entitled to? Well, what we propose is that it be entitled to BPA subscription only for its residential and small farm customers, and only for the amount for which those customers would have been entitled had they continued to be served by the previous integrated utility. So the formation of this new entity would not affect the subscription balance, allocation balance that we now have. A much bigger example, let's say Portland, somehow Oregon legislature or Puget Power, and we've heard Puget Power is interested in getting out of the power supply business that the Washington legislature designate some default supplier, some buying co-op for the entire Puget Power territory. Under our proposal they would qualify for a subscription, they would not be -- we wouldn't take the position whether they're a preference utility or not, that's another issue, but they would qualify for a subscription, only to the extent that they would get the same size subscription they would have gotten if they hadn't -- if they had stayed an IOU, so it doesn't change anything with the balance of subscription, and it solves Bonneville's problems with Montana and with -- solves a lot of -- allows a lot of the tribes to aggregate to the ability they can get a subscription as well. Thank you very much.

FRED RETTENMUND: Thanks, Steve. Joe Nadal, you're up next. While Joe is the last one, I think, that's signed up, anybody else that wants to comment after Joe is certainly free to do that, as well.

JOE NADAL: Appreciate the opportunity to comment today. Joe Nadal with Pacific Northwest Generating Cooperative. We're a power supply cooperative that represents 11 customers of Bonneville, and we're cooperatives located in Oregon and Idaho.

We've reviewed the standard and we have some comments to give today and we will be submitting some written comments as well by the deadline on the 11th or if it's extended, at that time.

We urge Bonneville to reject or withdraw the proposal for several reasons. First, Bonneville in its proposal doesn't offer a specific rationale or factual support for the proposal. Bonneville does state that some tribes and other parties have expressed an interest in forming and operating electrical utilities. And they also state that "some parties have requested whether BPA should continue to require the preference customers who serve retail customers own and operate the distribution system." Bonneville also refers to the advent of retail electricity deregulation in the wholesale market, and in some western states at retail as a factor underlying the proposal. However, these passing references to certain facts or developments do not in our view constitute an adequate basis for making the proposal, let alone making changes to the existing standards, which we think could have far-reaching consequences, and unintended effects.

BPA makes no claim that are significant problems associated with maintaining the current standard requiring ownership. In the proposal there's no evidence or facts presented or even reference that there are parties interested in forming new utilities who would not be able to comply with the existing standard or who would suffer an unreasonable burden if the existing standard of ownership is maintained. We note that over the years a number of utilities have demonstrated the ability to meet that standard, including in more recent years, utilities such as Oregon Trail Electricity, Emerald PUD, Columbia River PUD to name some key ones.

Bonneville does not claim that there are significant problems associated with maintaining the current standard. And I think the fact that there is no rationale in the proposal constitutes a basis for rejecting it in its current form. Without a solid rationale stated in the proposal Bonneville gives the impression that it may be making the proposal simply for political reasons, rather than for reasons which are in the overall benefit of the customers, to the general public or Bonneville's ability to carry out its responsibilities.

Second, Bonneville's proposed standard could open the door, we believe, to sham arrangements designed solely to acquire, capture the benefit of low cost Federal power, at times when that power is cheaper than what you can get from the market or from other cost alternatives. Almost any entity could qualify if they had contracts to prevent a revenue stream for the lease period. Operation functions could easily be outsourced to someone else, instead of the previous incumbent utility, with the real utility really having no significant involvement in the day-to-day operations or management. Formal decision-making authority might be with the new entity, but the factual control might reside elsewhere.

A third reason has to do with long-term commitment to serve. Not only could sham type arrangements result, we think, but it could encourage the formation of utilities that are not really genuinely committed to serving their community, and assuming the real utility responsibility to immediate load. Under the plain words of the proposal a five year lease would qualify as a utility at the term of the purchase or even less. Under such a standard Bonneville power, we think, could be gained by organizations who are purporting to serve the long-term interests of their customers, but really want access to Bonneville power when it's below market. Bonneville should provide service only to utilities that organize for the purpose of providing electric service indefinitely, on a long-term basis.

Ownership of facilities as well as the other tests that Bonneville normally applies are demanding but we think reasonable standards for demonstrating commitment to providing that kind of service.

A fourth reason for rejecting the proposal is -- has to do with the fact that detailed deregulation is still undefined. While Montana has moved ahead with its version of restructuring, it's unclear what's going to happen in the other Northwest states. It is possible that across the region at some point you could have legislation that would mandate DSCOs, which are organizations especially powered to provide distribution service, and such legislation might make these type of arrangements necessary or appropriate. But the timing and content of that kind of legislation is still very much up in the air, and we think it's inappropriate for Bonneville to propose something that anticipates state or Federal legislation, whose timing is up in the air or may not occur.

Finally, Bonneville's changing standards seem to us curiously out of place. At a time when the Federal system is being stretched to its limits, more demands are being placed on Bonneville than it can satisfy to its current inventory, Bonneville is proposing to relax a standard that's worked well for many years, for qualifying to purchase Federal power. It seems inappropriate to make such a proposal, especially in the face of a general regional consensus that Bonneville should not be out acquiring resources. The proposal we think would end up putting more pressure on Bonneville rates and increasing its costs to its existing preference and other customers.

In conclusion, and for those reasons, we think Bonneville should not change its standards at this point. Bonneville should retain the ownership standard. There's no evidence at this point that the change proposed by

Bonneville we think is in the interests of the general public or will help Bonneville carry out its responsibility more effectively. On the contrary, BPA's proposed change could have far-reaching consequences. It could foster sham arrangements and empower organizations not committed to providing utility service, could be in conflict with future laws and unnecessarily raise Bonneville's rates, further straining its resources. We think it represents at this point bad public policy and should be rejected.

Those are my comments. And as I indicated I'll have some written comments.

FRED RETTENMUND: Thanks. Those are all the folks that signed up. Does anybody else want to make a comment?

MARK STAUFFER: Mark Stauffer, Montana Power Company. I don't have any prepared comments, but I listened closely to what John Hines and Senator Doherty and Bill Drummond had to say, and regarding the Standards for Service, our -- if you want it, is precisely along the lines of those comments. We think that Bonneville should consider open access legislation in its decision making. That's the extent of my comments. Thank you.

FRED RETTENMUND: Thanks, Mark. Anyone else?

HOWARD SCHWARTZ: I'm Howard Schwartz with the

Department of Community Trade and Economic Development of the State of Washington. And my comments are process only. Having gone to the meeting in Spokane and having sat through this part of this one, I have a sense that, No. 1, we may need a little more time, not only for comments, which brings me to No. 2, that I have a sense that this formality may not be the best way to kind of think this whole thing through, because having listened to Steve Weiss and now Mark and having talked to other people I have a sense that there may be a pathway to satisfy the Montana residential customers without necessarily unraveling everything else in the Northwest. And that if we construe some sort of pathway in terms of a settlement of the residential exchange without necessarily opening up the whole question of Standards for Service, then we can work within the context of the subscription strategy without kind of looking at broader questions. It would seem to me that it might be useful to spend some time in more of a roundtable setting, rather than a proposal and comments setting to try and figure some of that out.

FRED RETTENMUND: Thanks, Howard. Aaron Jones from the Washington Rural Electrical Cooperative Association.

AARON JONES: Along the lines of the concept of providing Montana residential customers some benefits through the exchange, I'm unclear as to what benefits they had been getting or would be getting under the current proposal.

STEVE OLIVER: Well, Aaron, what I'd like to say is just that I think that we're willing to take comments here. I think that's a very detailed issue. We've been meeting with representatives of the State of Montana. There are basically two avenues for providing benefits of the Columbia River Power System to Montana, one of them is through some manifestation of the residential exchange or a settlement of that exchange through Montana Power Company. And another is potentially through public, eligible public entities. I guess thirdly everybody would qualify in terms of surplus type of arrangements. But in terms of preference power and/or something like we've been proposing for settlement of the residential exchange, which is equivalent to preference power, those are the two avenues we've been exploring. In terms of amounts I think there are debates in terms of what that amount may be. And really it's sort of a derivative of the residential small farm load within the Pacific Northwest defined area, and that's something that people are looking at, and there's different sort of fact basis for.

AARON JONES: I'm thinking more from a historical standpoint. Have they been getting X amount of allocation?

STEVE OLIVER: If you look at the State of Montana the fact basis there involves not only public power but DSI load as well as the IOU load. So if you look at that in total, that picture has changed over time significantly.

AARON JONES: I'm thinking of only IOU load.

STEVE OLIVER: Of the IOU load, in terms of comments for today, in terms of the amount, numbers that I have seen in terms of participation or amounts that we've been considering have probably been in the range of 20 to 50 megawatt kind of discussions.

LARRY KITCHEN: They are an active exchanger. If your question is the status under the exchange contract, Montana Power is an active exchanger, during this period they deemed their rate equal to the Bonneville rate. And I don't think we've done a forecast as to whether they would have come out of that status during the next rate period and been eligible for the exchange. That's assuming the '72 rate test didn't trigger, and there's a whole number of assumption you have to make.

AARON JONES: There's plenty of complexity ahead if in fact we go down that concept path?

STEVE OLIVER: Yes. Are there any other comments on eligibility? If not, I'd recommend, we're about 15 minutes before noon, given some of the competition we'll probably be having for the lunch facility at the hotel, that we break now and we come back at 1 o'clock to talk about the net requirements topic. Thanks very much.

(Lunch recess taken.)

STEVE OLIVER: We're going to go ahead and get started on the net requirements policy. But before that happens I wanted to let you know that based on conversations that we had previous to today, as well as comments we received today, that we're going to extend the comment period. We're going to publish an amendment to the Federal Register Notice, a very brief notice, a public notice, extending the comment period to June 30th from June 11th, giving people more time to take a look at it and compose their comments. If you go ahead and spread that word, we'll get a public notice out as well. We appreciate your interest and involvement, we want to make sure we have plenty of time for that.

Larry Kitchen is the key staff person that develops the policy on net requirements, and he'll give some brief comments and then we'll go into the comments period like we did this morning.

LARRY KITCHEN: What I'm going to do is provide you a summary description of our proposed policies for determining net requirements under section 5(b). The summary will include the adjustments for exports of thermal resources under section 9(c) of the Northwest Power Act and the export of hydro resources under section 3(d) of the Regional Preference Act. I will then briefly describe two flow charts showing the application of your proposed policy to your loads and very sources.

Most of my description is going to be based on this one-page pictorial description of the policy. So if you have problems seeing the board up here I'd urge you to pull that out and have that in front of you.

What this chart actually does is it summarizes on one page all the principles in the policy. So if you've got what's on this one page you've got all the principles, and if you want to sort out how they actually apply to your loads and resources the flow charts actually try and take you through each of the steps in applying the principles.

The chart starts out with the basic limitation on purchasing power from BPA under the Northwest Power Act. BPA is required to sell to each customer an amount of power necessary to serve its net requirements. And its net requirements is the amount of power needed to serve its retail load in the Northwest in excess of the customer resources that are required to be dedicated to load.

What we have proposed for determining the amount of resources required to be dedicated to load is to use the customer declarations of resources serving load in their current Firm Resource Exhibits, and that is the basis for determining the maximum net requirements the customer would have.

We've proposed that the only reason a customer's net requirements can be changed during the term of the subscription contract is for the reasons enumerated in the statute, i.e., loss of resource, retirement, loss of contract or obsolescence. This is a fundamental change from the 1981 contract where you could move resources in and out, based on the notice period. What we've done this time is really tried to fix the amount of your purchase under the subscription policy and any additional purchases would really be bilateral arrangements made with Bonneville after the initial subscription contract.

I'd clarify that the expiration of a contract purchase that you have in your Firm Resource Exhibit is considered the loss of the contract resource and could be replaced with PF power at the lowest rate.

We've proposed one exception to this rule. BPA has proposed to provide its consent to the addition of a new customer renewable resource during the term of a subscription contract. This exception would allow up to 200 average megawatts of new renewable resources to be used to serve customer loads, and then for those resources to later be removed from service to customer load. As I'll explain later, the use of this exception will subject those resources to the application of the statutory rules regarding export resources.

In the Federal Register Notice we've asked for comment on one additional exception to these rules, on the use of customer resources. We would like your comment on whether we should provide consent to the removal of customer resources from service to load in amounts equal to the retail load loss of a utility such that if the net requirements would change because a utility provides retail access to their loads, that we would agree to allow them to remove a certain amount, an equal amount of non-Federal resources and maintain their net requirements purchased from Bonneville. And we're interested in comment from the people in the region on that proposed change to the proposal.

That, I think, is sort of a summary description on how we would determine, essentially, your maximum net requirements under this policy. The other piece that we need to look at are customer resources that were not in the Firm Resource Exhibit that have been used at some time during the last 20 years to serve a customer's load in the region. Due to the changes in the deregulated market the power business lacks the information today to determine how a customer is using its resources. We no longer have access to transmission schedules to determine whether a resource is exported or not. To deal with this change in the environment we've proposed the creation of a presumption that a customer has exported its resource in a manner that's basically increasing our net requirements, and that will result in a reduction of your net requirements unless the customer provides us the information to show that the export has not occurred. This is designed on our part to not raise standards of conduct issues between the power business and the transmission business line in terms of access to that commercial information. A customer in purchasing Federal power is not required to share any of this commercial information with BPA, but you would lose the right to purchase the amount of Federal power equal to that resource. And I think it depends upon a particular customer's situation whether they want to buy that extra amount of Federal power or not, or whether it matters to them, whether their net requirements are reduced.

So each customer can make that determination whether they want to share information about a resource, on a resource-by-resource basis.

The first step in determining whether these rules apply to one of your resources is determining what type of resource it is, is it a hydro resource, is it a thermal resource or is it a contract resource. Different rules apply to hydro and thermal resources under the statutes. The contract resources must be categorized as to whether they're a hydro resource that you're purchasing, a thermal resource or whether it's a purchase of a market resource that really can't be attributed to any particular type of existing resource in the region. For example, a contract to purchase a share of Mid-Columbia hydro would be considered a hydro resource, it's purchasing a percentage share of the output of a hydroelectric plant. On the other extreme, a contract purchased through the broker market of a block of power delivered flat across all hours would be considered a market resource, one that you couldn't actually attribute to any existing resource in the region. So that's the first factual determination you get to in the application of these policies. If the resource is characterized as a hydro resource the owner of that resource will receive a decrement or reduction in its right to buy requirements power unless it is serving the customer's load, in which case it will reduce the net requirements or has been sold to serve the load of another regional customer.

This is Bonneville's long-standing interpretation of section 3(d) of the Regional Preference Act that existing or basically all hydro resources in the Pacific Northwest must either be used to serve regional load or if they are exported that Bonneville is not able to sell requirements power behind it to replace it, it can only sell surplus power to replace that export.

In terms of how to administer this policy, actually the note at the bottom points out that the way we would expect this to be administered is if the owner of a hydro resource shows BPA a contract where the resource has been sold to another regional customer to serve the regional load, that the section 3(d) responsibility or the 9(c) conservability responsibility for thermal resource will be placed on the purchasing customer. So when the two parties are contracting together, they can sort of decide who is going to face the reduction in net requirements by how they structure that contract. And the owner of the resource can avoid the reduction of net requirements by being clear it was sold to serve regional load. They are now basically showing us a contract for regional load, and the obligation will pass to the purchasing utility.

The other thing I would point out is these rules on hydroelectric resources apply to both existing hydroelectric resources and any new hydroelectric resources.

The second set of rules are those that apply to thermal resources. The first proposal we have is we proposed to change the definition of a market resource under section 9(c). And it's really the first note down at the bottom, that all new resources developed after the date of the subscription policy we will consider those to be resources developed to serve the market, unless the customer comes in and specifically says, no, it's serving my load for some purposes, maybe tax exempt status or some tax purpose, that we'll make a presumption that those resources are going to market and not serving regional load.

So that applies basically to this proposed policy, to existing thermal resources in the region. BPA has made previous decisions under 9(c) that certain existing thermal resources could not be retained to serve regional load, and that those resources could be exported. One of the tests a customer can show is that one of those decisions applies to their resource and that basically 9(c) determination is valid through the term of the existing export contract. If they bring us the necessary documentation showing we made that decision then they've rebutted the presumption of export in a manner that increases their net requirements.

The other two tests that we've identified that rebut the presumption is, one, there's a definition of market resources in our 1994-9(c) policy that was developed for non-Federal participation. It's a fairly onerous test, you have to show that the resource was surplused to all of your existing requirements as utility when it was exported, and we're unaware if there are actually any resources in the region that meet that test, but if there are, and someone shows that they've met that test with that resource when they exported it, that would rebut the presumption.

The other method to rebut the presumption is showing that you're using it in your own load. For example if you didn't buy your full net requirements, say you bought half of what you were entitled to purchase, and you have one of these resources, you can say I'm going to use this resource to serve the remaining portion of my load, you wouldn't get a further decrement of your net requirements.

And then the other option is to show that you sold it to another regional utility to use in their regional load, then you pass the 9(c) responsibility on to that utility.

So any of those steps would rebut the presumption that the resource has been exported in a manner increasing the net requirements.

Now, if you don't meet any of those tests, the next step under 9(c) is a determination that even though the resource was exported the export's allowed under 9(c), because the Administrator determines it could not be conserved or otherwise retained to serve load in the region.

And we have proposed three tests for passing conservability. The first test is a resource was publicly auctioned and nobody in the region bought the resource. This test is allowed -- is designed actually to allow a customer to remove their capital from an existing resource and it basically gives everybody in the region an option to step in and say I want to buy that resource and put my capital into it. And if nobody in the region succeeds under that auction then we're stating that resource can be exported.

The second test allows a customer to offer their resource for sale to Bonneville and all of its eligible customers at cost, plus a reasonable rate of return. This is the test that we used under the 1994 policy. And if a customer wants to retain their ownership of the resource and export it, yet continue to buy Federal power, we're basically asking them to offer it to the region at the cost of the resource.

The offer must be for a term of one year or longer, and the purpose of the one year offer is we've proposed under the policy an annual review of a customer's net requirements. So if you make an annual sale of that resource and nobody in the region buys it, it can be exported, you can continue to buy Federal power from Bonneville for another year, the next year you'd be required to make another offer of that resource. Now, if you make a long-term offer, like you could come in and make a five year offer of that resource at cost, and nobody in the region buys it, you can then export it and when you come into the next year, if under that determination you've exported it for five years, then you have a determination that's good for the term of that export. If you come up to the next year and you've been selling it month-to-month, then you'd have to make another annual offer of that resource. So it's basically a test allowing you to export it for whatever term you want, and you have to make a matching offer to the region at the cost of that resource.

The third test under conservability allows Bonneville to assess the current market price and determine that no decrement of your net requirements is required, since market prices make it unreasonable to retain the resource in the region. If the market prices drop again, and Bonneville has plenty of power to meet its requirement, we would then allow the export of resources during that period of time.

I think that's probably a good description of the environment we were in under 9(c) over the last five years. It was fine to export resources, because there were surpluses in the region and market prices were low, and there was no reason to reduce somebody's purchase of requirements power.

That concludes my summary description of 5(b) and 9(c). I want to briefly describe the two flow charts that we also handed out, these documents, here. These show the application of the policy to your loads and resources. The first flow chart shows the initial determination of net requirements. The second flow chart or page 2 shows changes in the amount of net requirements that can occur during the term of subscription contract. These are designed to actually take you through the logic steps to show you how to apply these policies to your loads and resources.

The first flow chart starts with a determination of the customer's regional consumer load. The top line shows you the treatment of resources that are in a customer's current Firm Resource Exhibit, and the bottom line shows you the application of the presumptions on export to existing thermal resources and hydroelectric resources.

The second flow chart identifies changes in loads and resources during the term of a subscription contract that could result in a change of requirements purchases. The annual review earlier I described is identified where BPA will exchanges in retail loads and the export of customer resources that could result in a reduction of requirement service on an annual basis. In addition to that the periodic loss of resources or annexation of new consumer service areas could also result in an increase of requirement service under your contracts and those are also identified in the flow chart.

That's a brief summary description of these policies. I'd like to open it to clarifying questions.

STEVE OLIVER: Real quick comment, I was talking with Aaron Jones right before we were starting this, and one thing, even walking through these I think as clearly and as simply as Larry just did on the policy, it seems imposing, because it is very complex. And one of the things that I would say is that if you cover all of the different steps in here that are attributable to different types of resources and you understand all of that, it is very complex, but in most cases specific utilities will have specific factual situations with certain kinds of resources that will probably have already gone through this, public agencies and entities, public bodies that we sell to have gone through this type of thing in terms of Firm Resource Exhibit, over the past 20 years, and our sales are based on net requirements which are very similar to this type of a construct, I think.

So the one thing I would say in terms of covering all these, I think it's pretty daunting, but I think the specific factual issues that will be pertaining to each utility as you go through this working with your account executive and you walk through this policy, I think it will become much more clear. So I just wanted to appeal to you to just sort of bear with us as we go through all these different possibilities, in terms of these steps and what could happen to each resource. Hopefully most utilities will have several resources that fall into one or two of these categories or steps that fall into the flow chart.

We'd like to open it up for clarifying questions, now.

STEVE WEISS: Steven Weiss from Northwest Energy Coalition. Some of this depends on what -- surcharge rates or tiered rates, if a utility losses some of its load to retail access, and that load is then picked up by another utility it could increase -- meanwhile you have the special consent to allow the first utility to sell its resources, maybe out of the region, and then the direct access customers go off and are served by another utility in the region, that would increase your obligation. And the way you're dealing with that is you're saying, yeah, but we'll make them pay a surcharge rate. And when tiered rates or surcharge rates have been talked about in this region before, they've not met with a lot of comfort legally or whatever, a lot of public utilities and preference utilities have challenged the legality of having surcharge type of rates. You don't have any doubts that you can do that?

LARRY KITCHEN: Well, I think actually the way subscription is designed is we've designed it to avoid the tiered rates issue. In your original determination of the amount of power that you can purchase you do an initial determination of how much power you can buy, and we're going to sell to serve all of the public agency loads that can purchase at that point, and then we're going to sell additional power to investor-owned utilities and some to the DSIs. After we go through the subscription period we'll have basically fully allocated all the Federal power and sold it, we believe, under subscription. And so the adjustment charges you're describing kick in after all those contracts have been signed, and customers come to place additional requirements on us. At this point we don't have any additional power in our inventory, and we're going to have to go out and purchase power to meet those, what are often statutory rights to power, and it's those additional costs that we face to meet those requests at that time that we're going to charge to the customer placing the load on us that comes to buy that service, in a sense through the next general rate case. And when we get to the next general rate case, then the agency will have to confront the tiered rates question as to whether we then meld that service into your general service or tier the rates at that time.

STEVE WEISS: This kind of puts that question through one more rate case?

LARRY KITCHEN: Yes.

STEVE WEISS: That's generally a good idea.

LON PETERS: My name is Lon Peters, I represent the Public Generating Pools. I have a series of clarifying questions on the policy, itself. First of all, page -- bottom of page 10, carrying over to the top of page 11 there's a reference there to load forecast. And I wasn't sure whether it was -- this is the sentence that covers -- crosses over between the two pages, talks about a one year forecast. And it wasn't clear to me whether that was a one year forecast that was then potentially changed or updated, resubmitted after one year or whether it was a long-term forecast that was only valid for one year, that is a multi-year forecast that was valid for one year, and then after one year that long-term forecast would itself be updated or resubmitted.

LARRY KITCHEN: Well, the concept that you're referring to, here, is that initially when we determine a customer's net requirements, if their purchasing is based on actual loads, then the amount of power sold to them would actually be based on what their actual loads are if they bought that type of product. But there are a number of products where customers are going to buy either a fixed amount of power or a SLICE of the system, and will have to use a load forecast to determine how much power someone can buy under that type of product. What we're proposing here is when you come to the next year we're going to have to look and see whether that load amount was valid in terms of the amount of service. Is the forecast still a reasonable forecast. We're most probably interested in looking at retail load loss, if that utility was now serving half the service area it had served, that would be an example of a major change. If that utility allowed retail access, and half of their industrial loads had now gone to market. Those are probably the major changes we'll be looking at when we say the forecast as opposed to, well, it grew 1.3 percent instead of 1.5 percent.

LON PETERS: Is the starting place a five year forecast if you want to buy a five year product or a three year forecast if you want to buy a three year product? I'm trying to understand what the starting point is.

LARRY KITCHEN: I think what the product catalog said is it's really a one year forecast, was what was in the product catalog for a fixed block purchase.

LON PETERS: That means that your block would be limited to -- limited by a calculation of net requirements in the first year, even though that block would be -- you'd be signing up for that block to perhaps as long as five years?

LARRY KITCHEN: That's correct. I think if you want a purchase to meet your load growth there's another product to purchase to meet your load growth.

LON PETERS: Over on page 24 there's a paragraph at the top of the page there that talks about -- starts off with resources that are either in or out of the FR 80 Firm Resource Exhibit, and then the second sentence talks about resources that are in the resource firm exhibit. And then the third sentence talks about a subset of resources that are not in the Firm Resource Exhibit. And by subset I mean it refers only to customer resources that are not in the FRE, but are used to serve regional load. And there's actually another category of resources that are not in Firm Resource Exhibits right now, which are actually exported. And in the context of this section of the policy those resources -- this part of the policy applies on a going forward basis after we get to 2001. And the question I have is what happens to those resources that are not in an FRE right now, and are being exported now, and are not decrementing net requirements now?

LARRY KITCHEN: So you're saying they're a category of resources that are being exported now and they're continued exported post-2001 will not result in an increase in Bonneville's --

LON PETERS: I need to back up. The original 9(c) discussion under non-Federal participation has a discussion, here, about resources that are actually outside 9(c). And I'm trying to understand whether this policy is intended to change the preexisting policy on resources that are outside 9(c), not affected by 9(c), the treatment of those resources, the destination of those resources doesn't affect the customer's rights under 5(b) or whether the proposed policy is intending to amend it previously.

LARRY KITCHEN: If you're referring to the previous policy describes a set of market resources, are those the ones you refer to that are outside of 9(c)?

LON PETERS: Yes, they're given that title --

LARRY KITCHEN: In the policy? No, it's not intended to change the definition of market resource. If you have a resource that meets that definition under the '94 policy, then that that would -- and you can demonstrate that, that would rebut the presumption.

LON PETERS: Or if you've previously demonstrated it through the use of this policy?

LARRY KITCHEN: That would also meet the presumption, yes.

LON PETERS: In which case the new language here under the proposed policy on page 24 doesn't apply to that resource, is that right?

LARRY KITCHEN: For the term of its export. Once that resource export ends then this policy would apply to it. So if you've exported the resource for 20 years, then that export is valid for 20 years, but once that export ends this policy would apply to it, once that contract ended.

LON PETERS: Okay. I understand. Thank you.

LARRY KITCHEN: Are there any other clarifying questions?

DENNIS PARRISH: Dennis Parrish with Seattle City Light. I'm just trying to follow up on Lon's question as to the starting point for the load calculation. Is the relevant load calculation for the first year the 2001-2002 contract period or just prior to or what?

LARRY KITCHEN: It would be a forecast for the first year of service under the contract.

Are there any other clarifying questions? If not, I guess we're ready to move to the comment period. Actually the one person who's signed up to comment is Geoff Carr from Power Resource Managers. Let Geoff provide his comments, and if anybody else would like to provide comments on the policy, they can do so then.

GEOFF CARR: Geoff Carr, Power Resource Managers.

First I want to say that not since the Regional Act has there been a document so subject to varying interpretations and subject to -- I've read it five times, and I urge all of you to do so, as well. So therefore we appreciate the extra time to comment, I think it's needed.

PRM will be working with the Public Power Council as it develops its comments and we will be supporting those comments, as well. I just have three basic points I'd like to make about this document.

This isn't -- our clients have not reviewed these comments, yet, these are PRM staff, our resource manager's staff comments at this point, but you will get our comments reflecting our clients point of view. We represent various PUD's, municipals and co-ops in the Northwest.

First of all, we still find that this policy is unclear as to how a customer will tell Bonneville how much load it's going to place on the agency for 2001 and beyond. We propose that customers of Bonneville working through their account execs tell Bonneville in the next few months about how much load they're going to be placing on the agency post-2001 and that after we find out what the rates actually are, after Bonneville's rate case goes to FERC for FERC approval, even though that is not a set in stone commitment, we all agreed in the subscription strategy that there would be 120-day period after the rates go to FERC, where a customer could actually make its commitment to Bonneville to purchase power for the period post-2001. We would like to see that explicitly in this policy. Again, it is still unclear about how a customer goes through that basic process of making a load commitment on the agency.

Second, kind of tying in with point one, this document suggests that the load commitment be based on the 1998-1999 Firm Resource Exhibit. We suggest that the customers submit a Firm Resource Exhibit that would be based on the year 2000-2001. Remember, we're talking about the years 2001 to 2006, in terms of placing load on the agency, and we'll have a much better knowledge of how much load will be placed on the agency next year than we do now, in particular because we don't know what the rates are yet or the terms and conditions of service. So, again the FRE should be based on a 2000-2001 FRE document.

Finally, supporting the concept that Larry suggested discussion was needed on, the policy states that there will be an annual or more frequent showing of reductions in consumer load on utility to Bonneville. Again, if your loads go down at the utility, Bonneville is going to want a showing of that reduction in consumer load. We're concerned that Bonneville is going a bit beyond the meter here, and that what Bonneville should be concerned about is the purchases of the utility from Bonneville, rather than the size of the consumer load. Again, the issue is the purchases from Bonneville by the utility. The utilities may have the flexibility to reduce resource output in a retail access framework or reduce contract purchases in order to make their load on Bonneville the same.

Those are the three points that we'll make at this time, and again, we'll be sending comments in before the 30th, thank you.

LARRY KITCHEN: Are there any other comments that people would like to make?

MARGIE SCHAFF: Once again, I'm Margie Schaff and I'm with the Affiliated Tribes of Northwest Indians, as well as with the Blackfeet Tribe, and I do have a brief comment at this time that really will be brief. And it's fairly narrow. It's with regard to the renewables energy portion of this. I asked a clarifying question at the Spokane public meeting regarding whether this would be limited to the first 200 average megawatts. And the response at that time was that if we got to 201 megawatts that that number could be reviewed. Because this is a 20 year contract period and a 20 year policy, we would hope that within the 20-year period there would be more than 200 average megawatts of renewable capacity available, and we would like to see the removal of the 200 megawatt limit in this request. Thank you.

LARRY KITCHEN: Is there anybody else who would like to make a comment?

STEVE OLIVER: If not, I'm going to express our appreciation again for you participating in this. I know these policies are complex, and somewhat tedious, but we really appreciate your help in defining them and working with us on that. And as I said, we're going to extend our comment period through June 30th, and we'll be looking forward to your written comments and throughout this period if you would like to have more detailed discussions with any of the key staff or myself, we're also available to do that, assuming we can get our schedules together.

STEVE WEISS: In that you have a longer comment period, would it be possible to follow up on Howard Schwartz's suggestion on maybe, certainly on the service standard issue, just having a meeting, a problem-solving meeting that maybe some of the issues can be just worked on among some of the parties rather than just the formal comments and response?

STEVE OLIVER: And I think we took that comment and we talked about it at lunch a little bit, and think about what we can do with response to that. We've been meeting with the Montana interest and other interests that have been commenting to us about Montana. We haven't pulled everybody together and talked in a roundtable kind of forum on eligibility, but that's something we might want to consider and put a notice out on or contact the key parties to see if we can pull something like that together.

If that's all, we appreciate your attendance once again, and your participation, thanks.

(Public meeting adjourned.)