

October 17, 2002

Steven J. Wright, Administrator
Bonneville Power Administration
Post Office Box 3621
Portland, OR 97208

Frank L. Cassidy, Jr., Chairman
Northwest Power Planning Council
851 S.W. Sixth Avenue, Suite 1100
Portland, OR 97204

Re: POST-2006 ELECTRIC SERVICE

Dear Mr. Wright and Mr. Cassidy:

Public Utility District No. 1 of Clallam County (District) appreciates the fact that Bonneville Power Administration (BPA) and the Northwest Power Planning Council are at this point in time addressing post-2006 electric service to preference customers, investor-owned utilities (IOUs), and direct service industries (DSIs).

The District fully supports the Joint Customer Proposal as submitted to BPA and the Northwest Power Planning Council by the Public Power Council (PPC) on September 16, 2002. The following comments are intended to build upon the Joint Customer Proposal, and to address some District issues that were not addressed in the Joint Customer Proposal.

One issue that was not addressed by the Joint Customer Proposal is the issue of a DSI taking service from the local preference utility during the current contact period. This is an issue that BPA postponed in its March 2002 Record of Decision on the New Large Single Load (NLSL) policy. This is an issue that BPA needs to address as soon as possible because it has a direct impact on one of the District's wheeling customers (Port Townsend Paper Company). In addition, the

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NLSL policy needs to be consistent with the post-2006 electric service policy. The District believes that the following proposal would achieve both objectives.

BPA should develop a NLSL policy that allows for DSIs to place their requirements in excess of the amount of their IP allocation on a local utility. If this amount were less than 10 aMWs in any consecutive 12-month period, then the load would not be treated as a New Large Single Load and would not be subject to the NR rate. This seems clearly consistent with the definition of New Large Single Load in Section 3 (13) of the Regional Act, which specifically states that the trigger for being designated a New Large Single Load is load not contracted for or committed to that “. . . will result in an increase in power requirements of such customer of ten average megawatts or more in any consecutive twelve-month period.”

A DSI that has to seek non-BPA supply because BPA refuses to sell it the full amount it needs to operate should be able to take that supply from a local public utility on the same basis that a new industrial plant would be able to take service from the utility. The DSI should be required to take its full IP amount first, with the residual served by the local utility. The DSI should not be allowed to curtail its IP purchases and substitute with power provided by a local public utility even if the amount on the local utility would be under the 10 aMW threshold. This will limit BPA's exposure to the total amount of former DSI load that would be served at PF and would preserve the IP revenue BPA expected this rate period from the DSI. The DSI also should not be allowed to use third-party supply contracts to effectively “stair-step” load on to the local utility in 9.9 aMW increments, just as a new industrial customer could not use a third-party contract to contractually limit its load placed on a local utility to less than 10 aMWs in any consecutive 12-month period.

This approach to local utility service to a DSI is a logical adaptation of BPA's 1992 Record of Decision on New Large Single Load Treatment of Utility Service to Direct Service Industry Expansions in that it preserves expected DSI IP revenue and does not allow the use of multiple contracts to end-run the 10 aMW NLSL trigger. That policy said BPA would use the DSI Contract Demand as the floor from which it measured the “increase in load”; then it would apply the NLSL provisions of the utility power sales contract to determine if the load served by the utility was an NLSL or not. Since Contract Demand is no longer used for DSI

service, the appropriate basis for the floor today is the IP contract amount in the DSI Subscription Contract. While the 1992 policy was in the context of expansions of DSI load, it seems reasonable to apply the same principles to the current situation where, instead of the load expanding, the need for supply above the BPA-supplied IP amount is triggered by the contraction in the IP amount.

Now, regarding post-2006 electric service, the District supports the Joint Customer Proposal for Service to non-smelter DSIs. To expand upon the Customer Proposal, BPA should include a one-time option in 2006 whereby non-smelter DSIs could convert to local utility service if that conversion was mutually acceptable to the DSI and the local utility. Under this option the non-smelter prorated allocation of the 50 aMW of federal-based power would be transferred to the local utility at PF rates, and the remainder of the DSIs' requirements would be handled under the NLSL Policy as described above.

Given the size and nature of non-smelter DSI loads, these loads could be more efficiently and better served by and through local utilities. The non-smelter DSIs are smaller than many large utility retail loads and, unlike smelters, have service needs and energy cost economics that are no different than larger retail industrial customers of utilities. Converting non-smelter loads to local utility service would reduce BPA administrative costs and take advantage and contribute to increasing the economies of scale of the local utility. The DSI would no longer be forced to participate in power and transmission markets if it preferred to take bundled retail service.

Should the non-smelter DSI or the local utility not elect this one-time option, then BPA should offer non-smelter DSIs load following service in addition to block service. Non-smelter DSI loads are high load factor, but not literally flat hour-to-hour like smelter loads.

If a DSI is willing to pay for load following and/or load growth service, it should be allowed to purchase that type of service on a comparable basis available to other BPA customers. Given the high load factor of non-smelter DSIs, they are apt to contribute more to revenue than to costs in the pool of load following customers, thereby lowering costs for all who are in that pool.

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The District greatly appreciates this opportunity to comment; and, hopefully, these comments will help BPA and the Northwest Power Planning Council to develop a post-2006 electric service policy that will provide price stability, together with equitable allocation of the federal-based power.

Sincerely,

Ken Morgan
Transmission and Substation
Systems Manager

KRM/mt

cc: Hugh Haffner, President, Board of Commissioners
Hugh Simpson, Jr., Vice President, Board of Commissioners
W. E. Purser, Secretary, Board of Commissioners
Dennis W. Bickford, General Manager