



EMERALD PEOPLE'S UTILITY DISTRICT

33733 Seavey Loop Road
Eugene, OR 97405-9614
Phone (541) 746-1583
FAX (541) 746-0211
www.epud.org

Board of Directors
DICK EYMANN
BRUCE PILLING
KATHERINE SCHACHT
JIM BROWN
BILL TANNER

General Manager
FRANK LAMBE

September 12, 2002

Bonneville Power Administration
PO Box 12999
Portland, OR 97212

Subject : Regional Dialogue on Post-2006 Power Sales Contracts

Emerald PUD supports the Joint Customer proposal with two caveats: we believe that the level of spending for conservation and renewables should be enhanced beyond current funding levels, and we do not believe there should be a limitation on new public utilities forming in the Pacific Northwest.

The Joint Customer proposal states that funding for conservation would not be set below current overall budget levels, and that funding for renewables would be set at or above current funding for the first five years of the new contract. The environmental community has floated a counter-proposal that would meet all utility load growth with conservation and renewables, with a funding cap on the above market cost of renewables. Emerald PUD proposes that we meet somewhere in the middle. The Regional Review and Oregon's restructuring law (SB 1149) set the appropriate level of funding for conservation and renewables at three percent of utility gross revenue, and Emerald PUD has been a long-standing supporter of this compromise. Therefore, we believe that all new contracts should set the funding level for conservation and renewables at 3% of gross utility revenues for any utility that takes federal power or the residential exchange, and a similar level of funding for DSIs. This proposal is reasonable, consistent with a long-standing regional agreement and Oregon law, and puts all utilities on an equal footing with regard to conservation and renewables funding.

As for newly formed public utilities, Emerald PUD believes that there should not be a MW limitation. We believe this for several reasons. First, preference power was designated to be for the benefit of all publicly owned utilities, not just the publicly owned utilities that happen to be in existence at some arbitrary date. Second, should we not share the benefits of preference power with new public utilities we worry about maintaining the justification for preference after the 20 year contract expires. If preference power is perceived as a benefit for the few it is quite susceptible to attack and elimination. Finally, it is difficult, if not impossible, to distinguish preference utility load growth, which does get preference power, from power needed to serve the load of a new public utility.

In the alternative, to eliminating the 75 aMW cap for new public utilities, the cap should include all of the excess FBS power available to Full Requirements utilities. This amount is estimated at about 300 aMW, and along with the 75 aMW, the higher cap would be 375 aMW for new public utilities. Newly formed public utilities should receive the PF Rate immediately upon energization, and should not be subject to the Targeted Adjustment Clause rate until the next rate period.

Thank you for the opportunity comment on these very important issues.

Sincerely,

Frank Lambe
General Manager