



October 18, 2002

Steve Wright, Administrator  
Bonneville Power Administration  
P.O. Box 12999  
Portland, OR 97212

Subject: The future role of BPA regarding power supply

Dear Administrator Wright:

The Northwest Independent Power Producers Coalition represents private firms that make a substantial contribution to the Northwest energy system. Independent power producers (IPPs) have been responsible for developing virtually all of the capacity connected to the Northwest grid over the last five years. Independents contribute 13% of our region's power portfolio and are prepared for further expansion.

We write in support of the Joint Proposal of Northwest Utilities regarding the allocation of the benefits of the Federal Columbia River Power System (FCRPS). Over the last decade, BPA management has preserved these benefits through challenging circumstances. Building upon your efforts, the Joint Proposal represents a thoughtful approach that offers considerable promise for the four state region served by the Bonneville Power Administration.

The Joint Proposal is a comprehensive settlement that will bring to an end the long-standing rivalries over the distribution of the Northwest's premiere asset. It will allow the customers to apply themselves to the future, rather than to continue to argue over the present. And the resulting certainty will better enable the region to insulate BPA from the ambitions of other parts of the country.

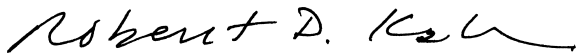
Another important feature of the Joint Proposal is the customers' implicit acknowledgement that BPA is not suited to acquire new generation assets. This conclusion, also reached by the Comprehensive Review of the Northwest Energy System, is the correct one. Years of uncertainty surrounding BPA's role has had a deleterious effect on the investment climate; clearly defining its role, once and for all, will encourage new investments to be made.

The fundamentals underlying the Northwest energy system continue to point to the need for new generating capacity. The independent power community remains vitally interested in helping to meet that need. The prospects for meeting the region's requirements will be more likely addressed, and at reduced costs, when the responsibility for reaching agreements with IPPs, is dispersed directly to the load serving entities.

One area where BPA may remain productively involved is in the acquisition of new renewable resources. In circumstances such as wind power generation, where firming and shaping services are required, BPA could add real value for full requirements customers that want to see these resources developed. We suggest that BPA and its customers work with renewable energy proponents so that BPA retains an ability to assist in bringing new renewable resources on line.

NIPPC commends BPA's customers for promoting the Joint Proposal and doing so with a commitment to consensus building. The proposal is a sensible and responsible step for readying the Northwest energy system to face the challenges and opportunities of the 21<sup>st</sup> Century. We stand ready to assist the region's policymakers to bring the customers' proposal to fruition and help the Northwest build the most efficient, highly-competitive, and clean electricity generating system possible.

Sincerely,

A handwritten signature in black ink that reads "Robert D. Kahn". The signature is written in a cursive style with a long, sweeping underline.

Robert D. Kahn, Ed.D.  
Executive Director

cc: Larry Cassidy, Chairman  
Northwest Power Planning Council