



September 25, 2002

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

Frank L. Cassidy, Jr.
Chair
Northwest Power Planning Council
851 SW 6th Ave. Suite 1100
Portland, OR 97204

Re: Comments regarding the Future Role of BPA

Dear Mr. Wright and Mr. Cassidy:

It is frustrating as well as ironic that as recently as 1996 BPA needed the DSIs to help keep it financially viable and now it is considering that in the future it will not sell any electricity to the DSIs. While BPA has no statutory obligation to provide power to the DSIs, it seems it should at least feel some moral and business obligation to provide reasonable power supply options to DSIs like Port Townsend Paper Company (PTPC) that have relied on BPA for all of their supply for over 50 years.

The Port Townsend Paper mill was built in 1928 and is still the largest employer in Jefferson County. It is a small non-smelter DSI (less than 20 MW total) who has purchased all of its electricity from BPA from the time the DSIs were formed. It has been a beneficial relationship for both BPA and PTPC. We continued to purchase all our requirements from BPA during the late 1990s, even though other power marketers were offering power at cheaper rates, because we believed that long term BPA would be the low cost provider. Then in 2001, when BPA prices were in fact lower than market, we were offered a contract that would supply only 75 % of our historical needs. Meanwhile IOUs and Publics, who had purchased cheaper power from other marketers and less from BPA under their 1996 contracts, were allowed to put greater loads back on BPA. We were also notified that if we switched load to our local Public Utility we probably would be charged the much higher NR rate, even though the amount of service we needed above our DSI contract was less than the 10 average megawatts that BPA policy says triggers the NR rate. This penalizes PTPC for ever having been a DSI compared to some of our competitors who buy from PUDs at rates much lower than the NR rate.

Part of the problem has occurred because of the uncertainty of deregulation. Regulated plants slowed or stopped building new resources and the system started working off reserve margin. BPA's current forecasts show a continued trend where BPA will meet future growth not by building or obtaining new resources but by taking power away from the DSIs. This is a very disturbing prospect.

BPA needs to resolve the issue of service to a DSI from a local utility that it postponed last year. All DSIs are not 450 MW loads. We co-generate about 7.5 MW or roughly 30% of our needs and purchase on average about 16.5 MW. We believe that BPA's current New Large Single Load (NLSL) policy is contrary to the intent of the Northwest Power Act. We believe the Act intended New Large Single Loads to in fact be new, increases to the Federal system, not existing loads that would be supplied by different suppliers on the Federal system. If we had been buying power from an IOU and wanted to switch to a PUD then BPA's NLSL policy would make sense, but since our entire purchased requirements had always been on the Federal system, it doesn't make sense. It would just be a matter of who we pay not where the power is coming from. At a minimum, BPA's NLSL policy should at least allow PTPC to purchase the additional supply it needs beyond its IP amount from our local utility (Clallam PUD). This amount is less than the 10 aMW threshold to trigger the NLSL so PTPC and Clallam should not be subject to the NR rate.

The Public Power Council has submitted a proposal concerning BPA's role after 2006 that with some minor modifications PTPC could support. The proposal provides for an amount of power for non-smelter DSIs that we believe would meet PTPC's needs. In addition to the total amount of power to DSIs, one addition to the Public Power Council proposal that non-smelter DSIs need is the ability to get load following type service. DSIs like Port Townsend, while having high overall load factors, do not have flat loads like smelters. We need access to and are willing to pay for load following service including demand and load variance charges. The pricing principle should be the same as in the Public Power Council proposal. These charges should be "priced at the same rate paid by utility customers of BPA."

PTPC believes that BPA's final policies should also include the option for smaller DSIs to convert to retail service from a local utility without any NLSL or NR rate penalty, when the local utility and DSI are able to reach mutually acceptable service arrangements. BPA's non-smelter DSIs are in fact smaller than a number of the larger industrial customers of public utilities. Allowing non-smelter DSIs to convert to local utility service will reduce BPA and PTPC administrative costs and provide long term certainty of service for PTPC and revenue for the utility

Ambiguity can wreck havoc on price stability and long term planning, as has been amply shown in the past few years with the uncertainty around deregulation. If adopted with modifications as outlined above, the proposal submitted by the Public Power Council would provide a new level of certainty to BPA, the DSI, the Publics and the IOUs, and to their customers.

Thank you for this opportunity to comment.

Sincerely,

Bruce McComas
VP & Mill Manager
Port Townsend Paper Corporation