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SNOHOMISH PUD RESPONSE TO COUNCIL PAPER ON BPA FUTURE ROLE

These comments from Snohomish County Public Utility District (Snohomish PUD) are in response to the draft recommendations released by the Council on April 8, 2004. Snohomish PUD appreciates the good work done by the Council in preparing these comments. Snohomish PUD further appreciates the leadership role the council has taken in working with many parties in the region to focus on the highly important issues involved in the topic of the future role of BPA regarding the Northwest's power supply.

Overall Focus

The Council is asking many of the right questions and the draft recommendations contain many statements with which Snohomish PUD agrees. We believe the Council is correctly focused on a crucial issue today—identifying and reaching regional agreement on the long term role of BPA as a power supplier. Not only is this a crucial issue, it is one that nicely fits the Council's statutory role and its expertise. In addition, we would like to see the Council devote more attention to cost segregation, cost control, contract enforceability and governance issues.

Rule Making to Alter BPA Role in Power Supply

The draft suggestions steer sharply away from federal legislative changes as the basis to change or clarify BPA's role in power supply, and instead recommend using rulemaking under the Administrative Procedures Act. Snohomish PUD believes we should first determine on what changes or clarifications should be made. Then we can collectively determine how to accomplish the changes or clarifications.

While we are not eager to seek federal legislative changes, we are not as fearful of that route as the Council apparently is. In addition, we tend to think that the rulemaking route recommended by the Council won't work as well as the Council seems to believe. One of the expected outcomes of this whole process is that BPA's utility customers will be clear on their own role in future power supply and will then embark on making decisions regarding resources that carry 20 to 40 year consequences. We are skeptical that rulemaking by BPA will have enough durability to provide comfort for those making the kind of long range decisions on resources that are contemplated.

Further, the Council's draft comments suggest that the rulemaking be done by the end of 2004. This conflicts with two other important issues. While there is widespread agreement that a long term allocation of BPA resources and benefits is appropriate, the details of that may not be done by the end of 2004. Secondly, BPA customers have not resolved cost segregation, cost control, governance and contract enforceability issues with BPA. Without those issues being resolved, utility customer receptivity to signing long term contracts will not be high. Creating and working on an aggressive schedule for resolving details of allocation and for making significant progress on the other areas noted above is key.

Offering New Long Term Contracts Soon

We agree with the Council's recommendation to develop and offer new long term contracts as soon as possible, and well before 2011. Getting the contracts out within a relatively short time period is very important to ensure adequate and responsive resource planning on the part of BPA's customers.

The Council's recommendations should focus more, however, on the need to resolve cost segregation, cost control, contract enforceability and BPA governance issues. These issues simply must be resolved before utilities will be comfortable signing 20 year or longer contracts. Contracts that customers don't believe are enforceable (which is essentially the current situation) just are not attractive to utilities. Likewise, 20 year contracts without assurances of meaningful cost controls are similarly unattractive. Much more progress needs to be made in these areas.

Allocation of the Federal Power System

We agree with the Council's recommendations to implement a long term allocation of the existing Federal power system in the Northwest. This is a fundamental change, and both a good one and a necessary one for moving ahead with effective regional power supply planning. This is not a policy area, however, but one of substantial complication and detail that can and should be left to the customers to resolve.

Tiered Rates

The Council recommends not implementing tiered rates at this time, and we agree. We also agree with keeping open the option of revisiting tiered rates in the future, as the Council recommends.

Conservation and Renewables

With the implementation of allocation of the Federal power system in the region through long term, enforceable contracts, the benefits and responsibilities for implementing conservation and renewables will also shift more to utilities.

Sincerely,

On Behalf of the Commissioners of Snohomish County Public District No. 1



CYNTHIA FIRST, PRESIDENT