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NRU comments on BPA's Preliminary Needs Assessment

NRU offers the following observations and recommendations regarding the Preliminary Needs Assessment of March 2009. NRU's 51 members are all load following customers of BPA. Therefore the development of a viable Resource Program is critical to meeting the loads, load growth and resource needs of our membership. The Preliminary Needs Assessment is a first step along the way in that process as it assesses the near and mid-term need for energy and capacity given the loads of BPA's customers. About 55 percent of BPA's total load is placed upon the agency by its load following customers. Those customers are keenly interested in ensuring that the agency has sufficient, reliable and cost-effective power available to meet their needs over the long term. The new environment of the Tiered Rate Methodology will confer both significant opportunity and responsibility on the customers in terms of load growth service. Therefore, this initial resource program will serve as an important guidepost for BPA and others.

Updates to the Study

In order to make sure the needs assessment is as current as possible the study should be updated to reflect the most recent load forecasts. It is our understanding that this update will show lower capacity and energy loads. If our understanding of the numbers is correct, then the above HWM load on the agency in 2012 and 2013 will be significantly lower than shown in the draft study. This will mean that BPA will need to acquire less power to serve its Tier 2 loads.

Also, BPA needs to update the Resources available to be consistent with the determination of resource availability being used in the TRM. It would be very helpful to have listed in the next version of this document the individual generating resources and the energy and capacity output of those resources at critical and average water, including any incremental energy related to hydro efficiency improvements.

Investigation of a Forecast More Likely to Occur

A useful analysis that should be provided is an analysis of an "expected value" scenario. This would include an assumption that half of the above HWM load post 2011 will be placed on BPA. We expect that this will be a more likely scenario than full placement of above HWM load on BPA. To this should be added the assumption of average water and the capacity and energy effects of using this average water assumption. Also, the wind fleet is moving from the 2 hour persistence level to 1 hour

or 45 minutes. Thus, an assumption of 1 hour persistence would be useful to look at in such an expected value scenario.

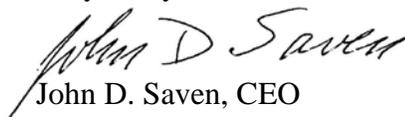
Integration of the Needs Assessment and the TRM

Various questions arise when we consider the energy and capacity needs of BPA's load following customers after the TRM goes into effect in 2012. We expect that these loads will be affected as a result of applying the methodology and procedures contained within the Tiered Rate Methodology and Regional Dialogue contracts. Therefore, we request that the following questions be considered in the Needs Assessment:

- To what extent has the Resource Program accommodated the concepts and rate design of the TRM?
- What would be the effect on the system if all of the above HWM load was met by non-federal resources that were brought in as flat annual block?
- What would be the effect on the system if the non-federal resources were brought in the super peak period, pursuant to section 3.4.4 of the regional dialogue load following contract? How many non-federal resources would need to be brought in the super peak period to have a meaningful impact?
- What would be the effect on the system as BPA begins to supply resource support services to non-federal resources that are being used to serve above HWM load?
- How do you expect the timeline you've laid out for the needs assessment and report (i.e., close out by December 2009) mesh with the November 1, 2009, notification deadline for preference customers to elect who will serve their above high water mark loads, and if electing BPA, then what Tier 2 rate?
- Looking forward to the development of the Resource Program itself, what is BPA's assessment of the potential need for specific types of new resources (i.e. renewable, low carbon or carbon free)? Given existing laws and the clear direction energy policy is heading, the resource program is not just about having sufficient undifferentiated energy/capacity, but also about having adequate renewable, low/free carbon, low risk resources.

Again, thank you for the opportunity to comment on the Preliminary Needs Assessment. We look forward to working with you as you develop the 2009 Resource Program.

Very Truly Yours,


John D. Saven, CEO

Cc: NRU Members
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