



August 16, 2004

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RE: Comments to "Programs in Review"

Dear Ken,

Thank you for providing us this opportunity to provide our feedback to Bonneville regarding the Transmission Business Line's operating and capital expense levels for the years 2006 and 2007.

We have reviewed the Programs in Review material available on the website and wish to express our support for funding many of the initiatives described in those materials. We support your focus on a reliable transmission system for the region and the improvements and new construction projects you have identified. Improved reliability and relief for constrained paths can often only be accomplished through capital expenditure. However we also applaud your research and development efforts to lead the non-wire solutions approach to defer or replace the need for new facilities where it is practical. Other initiatives, like the creation of a regional Available Transmission Capacity (ATC) methodology, and investment in the formation of an appropriate Grid West are efforts that do cost money, but will likely result in a good return on the investment. Bonneville Transmission Business Line's rates have historically been a very small part of the overall cost of delivered electricity. Those rates can support these important elements of utility leadership and will result in better cost-effective service to customers.

An issue that is very important to the Umpqua Indian Utility Cooperative, but does not appear in the Programs in Review materials except as an element of transmission operating expenses, is the low-voltage distribution charge. We understand that Bonneville is proposing to change the current methodology, which is a standard rate, to a pass-through of costs incurred on behalf of each customer. We do not support an increase in low-voltage charges. Bonneville customers like UIUC, who are connected to Bonneville by third party transmission (General Transmission

Agreements, or OATT contracts) are often connected at facilities outside of our service territories at voltages lower than usual transmission voltages. We are still, however, wholesale customers. We are subject to BPA transmission charges (which now include those GTA charges) and also to low voltage distribution charges to gain access to our wholesale power supply. The lower voltage charges are often significant, but are mitigated by Bonneville's low voltage distribution rate. We are willing to accept the current low voltage distribution rate. In our opinion, however, these charges should be treated as GTA charges, as they are necessary to accomplish the delivery of wholesale Bonneville power to preference customers. The philosophy behind the GTAs has been to allow Bonneville to use transmission owned by others without having to build redundant facilities. The costs to customers are lowered by avoiding redundant construction to customers not currently on the Bonneville system. There should be no different view when the facilities are outside of the customer's service territory and are simply served at a lower voltage. We support an increase in the transmission operating expenses which will allow low voltage customers the same non-discriminatory transmission service as those connected to the Bonneville system.

Thank you for your attention to these issues. We look forward to meeting with you if you have any questions regarding our comments.

Sincerely,



Ron Doan
General Manager
Umpqua Indian Utility

Cooperative

Cc: Sue Shaffer, Tribal Chair, Cow Creek Band of Umpqua Tribe of Indians

Iris Crisman
Margie Schaff