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September 7, 2006

Vickie VanZandt
Senior Vice President
Transmission Business Line
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Dear Ms. VanZandt:

The Industrial Customers of Northwest Utilities (“ICNU”) submits the following comments on Bonneville Power Administration’s (“BPA”) proposed programs in review related to its transmission spending plans for fiscal year 2008-09 (“PIR”). ICNU is an incorporated non-profit trade association of large industrial electric customers in the Pacific Northwest. Many of ICNU’s members indirectly purchase power and transmission from BPA. ICNU appreciates the opportunity to provide input and to help shape BPA’s transmission program levels for maintaining and operating the federal transmission system.

ICNU urges BPA to set its program spending levels as low as possible without impacting reliability. Setting aggressive but reasonable spending levels will provide BPA with the appropriate incentives to ensure the necessary cost controls and efficiencies are achieved. BPA’s transmission business line (“TBL”) has recently demonstrated that it can take appropriate measures to reduce costs. For example, expected transmission revenues for FY 2005 had decreased by \$111 million from rate case projections. ICNU applauds TBL for these cost savings and increased efficiencies. BPA was able to reduce this revenue gap, in part, because TBL was able to reduce expenditures associated with maintenance, capital costs, corporate overhead, and ancillary services. BPA should incorporate these specific savings into future program spending levels (except for reductions due to deferred maintenance). In addition, BPA should set future spending levels based on the assumption that TBL will be able to make additional cost reductions in the future.

ICNU specifically recommends that BPA incorporate the expense reductions identified in the Enterprise Process Improvement Program (“EPIP”). ICNU appreciates BPA’s work that has gone into identifying the \$65-80 million in baseline cost savings in the EPIP process. This constitutes more than 18% of TBL’s baseline costs. EPIP is also likely to identify additional savings associated with supply chain costs,

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operations and maintenance costs, and asset management procedures. ICNU believes that TBL can achieve these cost savings and strongly recommends that BPA's spending levels (which are used to set rates) reflect these expected EPIP cost reductions.

BPA should not increase its costs in order to finance its long-term capital projects with its transmission revenues. Apart from the equity issues associated with funding long-term investment from current ratepayers, BPA's reserves are very healthy, and thus, BPA does not need to raise rates additional amounts to obtain any necessary financing.

Finally, ICNU recommends that BPA reevaluate and change its current practice of reviewing and addressing spending levels in a process separate and apart from the rate case. This practice does not make sense and creates an inefficient process. Obviously, costs and spending levels should be an important part of the rate case process. We urge you to include all cost and spending level issues in the next TBL rate case.

Thank you for your consideration of ICNU's comments.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Melinda J. Davison', written in a cursive style.

Melinda J. Davison