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**BOISE™**

Ashim Banerjee  
Mill Manager

December 1, 2005

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CHAIRMAN

Mr. Mark Sidran, Chairman  
Washington Utilities and Transportation Commission  
1300 Evergreen Park Drive, S.W.  
Olympia, WA 98504-7250

Dear Mr. Sidran:

Re: WUTC Public Meeting

I will not be able to attend the public hearing in Yakima today, as I have other prior commitments. In my absence, Doug Hester, process control and electrical superintendent at Wallula, is representing Boise and our concerns about Pacific Power's request for a rate increase that would raise our rates by over 16 percent.

Boise's Wallula paper mill is Pacific Power's largest industrial customer in Washington. We employ 418 people in family-wage jobs that are filled by residents of Benton, Franklin and Walla Walla counties, with an annual direct-wage payroll effect of \$36 million. We are also Walla Walla County's largest taxpayer, providing 7.5 percent of the county's tax revenues.

We have operated at Wallula since the mid-1950s, and we would like to continue to be a part of the community well into the future. The manufacture of paper products, however, is an industry with a low profit margin, and it is becoming ever more difficult to sustain economically viable operations. Power costs are a significantly increasing part of our cost structure. Since 2002, our electric rates have escalated by 17 percent. Currently, we pay about \$16.8 million a year for power at our location. Pacific Power's proposed 16 percent rate increase would mean an additional \$3 million in costs per year.

This proposed increase would have a serious impact on our financial viability. We believe it is an unnecessary impact, as much of Pacific Power's proposed increase will cover the cost of growth in other parts of the utility's service territory.

Boise is not alone in believing Pacific Power's Washington customers should not have to subsidize power plants built for other states. Public counsel in Washington's attorney general's office has expressed concerns that the utility's proposal is an inappropriate attempt to make its Washington customers subsidize the power company's growth in other states. According to Assistant Attorney General Robert W. Cromwell, Jr., "Washington consumers, who make up only a fraction of PacifiCorp's customer base, should not have to pay higher rates that we believe are an attempt to subsidize the company's growth in Utah. "

Public counsel has suggested the WUTC reduce the proposed rate increase by at least two-thirds. WUTC staff has gone even further, suggesting the commission approve a decrease in Pacific Power's rates. Staff, like public counsel, questions Pacific Power's request to include costs of power plants that staff experts believe will be used to serve customers in the company's Utah service territory.

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Not only would a 16 percent rate increase put the Wallula mill's future expansion and capital expenditures at risk, it flies in the face of the poor service we have received from Pacific Power. Since 1998, we have experienced 22 service interruptions, including three in a three-month period in 2004 that cost Wallula over \$500,000. Just since Pacific Power's last over 7 percent rate increase in November 2004, we have had two power interruptions, one of which had an estimated financial impact of \$94,000. We do not believe that such service should be rewarded by a substantial rate increase, especially when that increase will be used to improve service in another state.

In addition, a power outage at a pulp and paper mill like Wallula has more significant repercussions than an outage at an individual's home. Instead of raising concerns about food spoiling in the freezer, a power outage at the mill—a technically complicated and sensitive operation—can have serious impacts on the safety of our employees and our ability to provide an environmentally sound operation.

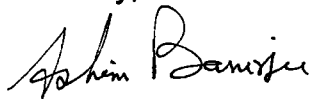
Meanwhile, we have worked hard to identify ways to decrease our energy consumption and have made a number of changes to our operations. Last year, we installed three new energy efficient refiners on one of our paper machines, at a cost of \$2.4 million, and spent over \$300,000 on various motor upgrades. These actions reduced our power consumption by over 1,600 kilowatts.

In 2006, we will spend \$900,000 to upgrade the mill's air compressor system, which will cut energy use by another 800 kilowatts. We will spend another \$5 million to increase the capacity of our hog boiler by 20 percent so the mill will be able to burn more biomass and use less fossil fuel. This project will reduce fossil fuel consumption by over 250,000 mmbtus/yr.

Even with these upgrades, electricity costs will continue to be a concern for our operations, so it is vital that the commissioners conduct the thorough review that a request of this magnitude deserves. I also ask you to ensure that any Pacific Power rate increase is reasonable, prudent and just, and that the utility is doing everything in its power to control costs and explore alternatives to its proposed rate increase.

Thank you for your consideration.

Sincerely,



Ashim Banerjee  
Mill Manager