



THEODORE R. KULONGOSKI
Governor

August 1, 2007

Mr. Stephen J. Wright, Administrator
Bonneville Power Administration
PO Box 3621
Portland, OR 97208-3621

Dear Mr. Wright:

Thank you for traveling to Salem to inform me about the status of the litigation regarding the residential exchange. As you know from our conversations and my discussions with other interested parties, I have continued to monitor the status of the negotiations over the residential exchange litigation. I also have encouraged all of the parties to work together to develop a balanced, fair and timely resolution of this issue.

To date, I appreciate the efforts of the different parties to meet regularly and make considerable progress toward a settlement that will allow the Bonneville Power Administration (BPA) to again provide residential exchange benefits to Oregon ratepayers. Likewise, BPA has played an important role in acting as a resource and facilitator in the discussions that are taking place.

Unfortunately, for a variety of reasons, it appears that the parties are currently at an impasse. I believe we are at the point that BPA needs to assume a more significant role to resolve the remaining issues. Accordingly, as the agency solicits comments from the public regarding the residential exchange issue, I thought it would be timely to let you know my perspective on one particular unresolved issue.

I have been informed that a plan has been proposed that would cap the residential exchange benefit over the life of the next round of BPA long term contracts with the consumer owned utilities. I do not support such a proposal as it would have the effect of decreasing the relative share of the monetary benefits available from the residential exchange to Oregon ratepayers over the long term. Such an outcome would be unfair and is unacceptable to me.

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My ultimate goal as Governor is to ensure that Oregon ratepayers obtain a collective benefit from the BPA system that is commensurate with the historical investments that all Oregonians have made in the Columbia River hydro system. That goal can only be achieved when ratepayers of the investor owned utilities obtain a benefit through the residential exchange program that represents the average annual monetary benefits, adjusted for inflation, that they would have received since the NW Power Act was enacted in 1980.

I understand the challenges of getting the various parties to agree on an actual dollar figure to resolve this matter. But I also believe we need a resolution that recognizes the immediate short term needs of Oregon ratepayers and at the same time, includes provisions that provide a monetary benefit that is fair and sustainable by recognizing the increasing value of the Columbia River hydro system into the future. A proposal that does not include an escalator provision that directly links the increasing value of the actual power from the BPA system to the residential exchange payment would negate this long term objective.

Any resolution of the residential exchange litigation that does not take into account both the short term and long term objectives of Oregon ratepayers will not only continue the current uncertainty surrounding the residential exchange program, but will result in more political pressure to make modifications to the NW Power Act. At this time, I do not believe such modifications to the NW Power Act are in the best interests of all the ratepayers in the region.

Thank you for your attention to this important issue. Again, I appreciate the efforts of you, your staff and the different utility representatives to get this issue resolved expeditiously. If I can assist you with your efforts, please do not hesitate to contact Peter Cogswell on my staff at (503) 986-6520.

Sincerely,



THEODORE R. KULONGOSKI
Governor

TRK:pc:ab
c: Oregon Congressional Delegation