CHRISTINE O. GREGOIRE Governor



STATE OF WASHINGTON

EIVED BY BPA ADMINISTRATOR'S OFC-LOG #: CO RECEIPT DATE:

OFFICE OF THE GOVERNOR

P.O. Box 40002 • Olympia, Washington 98504-0002 • (360) 753-6780 • www.governor.wa.gov

August 10, 2006

Mr. Steve Wright Administrator Bonneville Power Administration Post Office Box 3621 Portland, Oregon 97208-3621

ASSIGNED: DKR-7

cc: FO3, DKN/Wash, L-7, P-6, PS-6,

Helen Goodwin-PS-6

Dear State

I write with my initial response to the proposal the Bonneville Power Administration (BPA) has put forward to distribute the long-term benefits of the Federal Columbia River Power System (FCRPS) after current contracts expire in 2011. Washington State will submit more detailed comments once we have fully reviewed your proposal, and had an opportunity to discuss it with various stakeholders. Because I feel this issue is so important to my state, and to the region, I offer my initial observations here.

The benefits that BPA provides to Washington are fundamental to my state's economic vitality. Affordable and abundant hydropower fueled the growth of Washington's economy for the past six decades. Securing the benefits of the FCRPS for the next two decades is of paramount importance to me. Annual attacks on BPA's budget by the executive branch need to stop and must not deter or delay us in pursuit of our goal. A 20-year contract between BPA and its utility customers in the region will provide stability, certainty and value for all of us. It will position my state and its neighbors to compete in the global economy for the long term.

BPA's value to the region includes the economic benefits of continued access to affordable and reliable power, as well as Bonneville's broader public interest obligations so critical to the quality of the region's environment. Stewardship of the Columbia River basin's fish and wildlife, and investments in conservation and renewable resources must remain priorities because BPA is uniquely positioned to contribute to meaningful solutions in these areas. It is my belief that the region must continue to make prudent investments that benefit the environment, and be accountable for those investments. It is particularly important that we continue to work together to recover endangered salmon while preserving the value of the hydro system.

I know there are many details in your proposal affecting the value of the compact BPA is offering to its various customers and stakeholders. Those details are of considerable interest and of obvious importance to those groups, and I am hopeful that they will be resolved to meet the needs of the parties. However, the details are not going to be the only measure of this proposal for my administration. I will look to the value and integrity of the package as a whole. Because the FCRPS is so important to Washington, my paramount interest is that we reach a fair and durable arrangement that preserves the enormous value of the system for all of us, not individually.

Mr. Steve Wright August 10, 2006 Page 2

I commend you for pursuing this effort. It is simply too important to our future to fail. I intend to work with my counterparts in other states and with stakeholders in the region. I have convened my team to evaluate the proposal in more detail and have charged them as I have explained to you: look at this issue in its entirety. Matt Steuerwalt, in my Executive Policy Office, will be coordinating that effort on my behalf, and may be reached at (360) 902-0499 or matt.steuerwalt@gov.wa.gov.

Sincerely,

Christine O. Gregoire

Cliris

Governor

cc: Tom Fitzsimmons, Chief of Staff

Matt Steuerwalt, Executive Policy Office