



RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 06-0148
RECEIPT DATE: 10.20.06
DUE DATE: APP ACTION

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October 19, 2006

Stephen J. Wright, A-7  
Administrator & Chief Executive Officer  
Bonneville Power Administration  
PO Box 3621  
Portland, OR 97208-3621

**SIMILAR to #2006-0144**

**APP ACTION: Theresa Rockwood-PSW-6  
cc: FO3, DKN/Wash, KHunt-DKR-7, AMorrow-  
DKR-7, L-7, P-6, PT-5, Helen Goodwin-PS-6,  
Larry Kitchen-PTL-5, Young Linn-TSE-TTP-2**

Dear Steve:

**Board of  
Directors**

David Baker  
Carol Everman  
Darrel Purkerson  
Richard Simpson  
Loren Tarbell

**General Manager**

Kevin P. Owens, P.E.

I am in receipt of the recent letter from Governor Kulongoski to you dated October 16, 2006 regarding his desire that all Oregonian's share equally in the benefits of the Columbia River Federal Based System (FBS). More succinctly, he specifically requests that the final resolution of the Regional Dialogue process should not reduce the value of the residential exchange benefits from their current levels (\$350 million).

On behalf of the public power customers of Columbia River PUD, I feel it necessary to take issue with a number of points the Governor makes in his correspondence. I have had the opportunity to represent our customers in the Regional Dialogue process and have willing done so to provide greater certainty to our customers in the future. To achieve greater future certainty we strongly favor a durable and sustainable settlement of the Residential Exchange Program that provides a reasonable range of benefits, as it is defined in law. When the Governor states that "Oregonians should share equally in the benefits....." he may be offering a solution contrary to the mandates of law. As you are well aware, Congress mandated an exchange benefit based upon the difference between IOU average system costs and BPA's rate, as adjusted in accordance with sections 7(b)(2) and 7(b)(2) and 7(b)(3) of the Northwest Power Act. Contrary to the Governor's suggested approach, these Act provisions seek wholesale rate parity, equalizing wholesale power costs for residential and small farm customers, as long as preference customers do not pay higher rates than they would have paid without certain elements of the Northwest Power Act. Clearly, the law does not speak to determinations made on the basis of proportional benefit sharing. His concern that nearly 75 percent of Oregon households served by Investor-Owned utilities will likely result in a rate increase may be real and perhaps unfortunate, but does not warrant straying from the written law.

The Governor also states that BPA should not reduce the value of the residential exchange benefits from their current levels (\$350 million). In short, it is my belief that the IOU's will have benefited from a windfall in residential exchange benefits in effect from 2002-2011. At the time BPA signed the current settlement agreements, the forecast of future power prices was considerably lower than the high prices that have existed since the West Coast energy crisis. By BPA's own admission, the actual costs of the settlement have far

exceeded your estimates; no longer reflect what you believe the residential exchange would have yielded and are not an appropriate measure of what the benefits should be going forward. Errant market forecasts cannot be utilized to sustain an IOU windfall of residential exchange benefits into the future.

Columbia River PUD will continue to support the Regional Dialogue process. We believe that the process has worked effectively in the recent past and has set a precedent for the future. We will be very supportive of a Residential Exchange Program that is built around independent, objective and transparent indexing calculations and remains consistent with the intent of the Regional Power Act, but not under the terms outlined by our Governor.

Sincerely,



Kevin P. Owens, P.E.  
General Manager  
Columbia River PUD

Cc: CRPUD Board of Directors  
Valarie Koss, CRPUD  
John Saven, NRU  
Theresa Rockwood, BPA