



**PUBLIC UTILITY DISTRICT NO. 1
OF MASON COUNTY**

N. 21971 Hwy. 101
Shelton, Washington 98584

REG - 069
BOARD OF COMMISSIONERS
JACK JANDA, Commissioner
RON GOLD, Commissioner
KARL DENISON, Commissioner

October 17, 2006

Bonneville Power Administration
PO Box 14428
Portland, Oregon 97293-4428

RE: Regional Dialogue and PURPA

Mason PUD 1 has been purchasing power from two PURPA projects and we are concerned how they could affect our High Water Mark (HWM) and resulting rates during the new 20 year contract.

As currently proposed, the net requirement determination will deduct from the forecast of the District's total retail load the output of Lilliwaup and Rocky Brook ("Projects") if they are still in the District's Exhibit C and operating at the time the net requirement determination is trued up in 2010. This will materially reduce the HWM of the District for the duration of the new, long-term BPA contract. And if the output of Projects becomes unavailable to the District at any point during the term of the new BPA contract, then any power purchased from BPA to replace the output of Projects will be purchased at the incremental Tier 2 rate.

It is important to consider that Mason PUD 1 has no control over the O&M of the Projects. We are required to purchase the power that is not especially certain, and that the long-term availability of the output of these resources for the next twenty years is problematic at best. Given these factors, we feel it would be unfair to our ratepayers for BPA to require us to purchase power at the Tier 2 rate if we were to lose these Projects during the life of the contract.

To insure that PURPA projects don't negatively impact our ratepayers, BPA should either exempt the output of PURPA projects from the HWM, or agree to replace the output with Tier 1 power should they become unavailable.

Sincerely,


Karl Denison, Commissioner


Jack Janda, Commissioner


Ron Gold, Commissioner