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Rec'd
10/30/06
@ 12pm

October 24, 2006

Stephen J. Wright
Administrator
Bonneville Power Administration
P. O. Box 3621
Portland, OR 97208-3621

REG-087

Re: Comments on BPA's Long Term Regional Dialogue

Dr. Mr. Wright,

Kittitas County PUD No. 1 believes that BPA should acquire the necessary resources to meet the energy needs of the region. BPA should continue to provide a melded rate as required by current statutes and law.

However, If BPA proceeds with Allocation, the Commissioners of Kittitas PUD respectfully submit the following comments regarding Allocation.

Tiered Rates

- Kittitas PUD does not support tiered rates. BPA should continue to provide a melded rate at cost.

High Water Mark

- Kittitas PUD supports the 2010 high water mark.
- If a utility is required by law to take another entity's resource into it's system, that resource should not be included in the utility's HWM.

Service to New Publics

- In the case of new publics, the new publics should not receive up to 50 MWs at Tier 1 rates. The rate should be comprised of the appropriate percentage of Tier 1 and Tier 2 power as compared to existing BPA customers.

Long Term Cost Control

- Cost Control is a very important issue. BPA should implement the formation of a Cost Review Board made up of a cross sample of its customers. An important element of cost control is to ensure that Tier 2 costs are not placed in Tier 1 rates. Non Slice customers should not subsidize Slice.

- If BPA has the ability to raise rates at its discretion, the customers should have the ability to terminate their contracts with reasonable notice. There should be an off ramp for BPA customers.

Transmission

- Preference customers of BPA should have priority rights to transmission capacity over other transmission users such as Powerx.

Enforcement/Dispute Resolution

- Dispute Resolution should be handled in the same manner as BPA has negotiated with the Slice Contracts.

Residential Exchange

- Kittitas PUD recognizes that there should be some level of benefits to the farm and residential customers of the IOUs. The level of those benefits should be significantly below the current \$350 million dollar/year level.
- BPA should not change it's current policy of transferring Residential Exchange benefits in the case of a public acquiring the territory of an IOU.

DSI Benefits

- There should be no level of benefits for DSIs.

Product Offerings

- BPA should continue to offer the same products as currently offered.
- All products should be provided at cost.
- Slice should not exceed 25% of the FBS.
- Ancillary services and capacity should be provided at cost.

Conservation

- "Conservation serves as a benefit to the Region. Conservation expense should be included in Tier 1 rates not Tier 2 rates".

President's Budget Proposal

- Kittitas PUD opposes sending any secondary revenue to prepay US Treasury obligations.

Low Density Discount

- BPA should continue it's current Low Density Discount.

General Transfer Agreements

- BPA should continue to include GTA costs in its power rates for existing customers.

Sincerely,


John Hanson, President Paul Rogers, Vice President Roger Sparks, Secretary