



*Commissioners*

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*Chief Executive Officer/  
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October 31, 2006

Mr. Steve Wright  
Administrator  
Bonneville Power Administration  
Attn: Communications - DM-7  
P.O. Box 14428  
Portland, OR 97293-4428

RE: Long-Term Regional Dialogue Policy Proposal

Dear Mr. Wright:

Clark Public Utilities welcomes the opportunity to respond to your request for comments on the Regional Dialogue proposal. Thank you for conducting a process which has been thorough and responsive to the comments of its customers.

Clark highly values the benefits of BPA service under the Regional Act and other statutes, including melded cost pricing and coverage of the net requirements of preference customers. But in recognition of BPA's desire to implement tiered rates and the interest among other customers in isolating the costs of the existing system, Clark will continue to participate constructively in the Regional Dialogue and the development of new contracts.

Clark endorses the comments submitted by WPAG, particularly those dealing with the need for viable partial requirements and Slice products, the importance of retaining certain statutory guarantees, and the undesirability of BPA's proposed use of market pricing in Tier 1.

Each of these three issues is of great importance to Clark. As the owner of a large thermal resource, Clark understands the issues that will face all customers as they outgrow their HWM after 2011. In order to help all of us manage the need to acquire new resources, the partial requirements products need to be flexible enough to allow customers to meet load growth and respond to fluctuating loads and resources. These products may be difficult to design when resources will vary widely in size, dispatchability, and reliability, but if BPA wants customers to

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diversify beyond Tier 2 service, good products are essential. A fairly priced Slice product should be part of the mix for any customer that wants it.

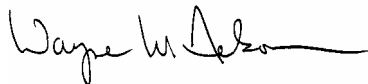
Clark is also concerned about being required to give up statutory rights in order to buy power from BPA. For example, the right to challenge the way rates are designed is an important safeguard for preference customers. Also, the residential exchange for preference customers has value as a tool for Clark to use in managing the impact of high gas prices on retail rates. It should not be necessary to waive this right or any other in an across-the-board manner. If BPA runs into specific cases where the customers and BPA agree that a right must be waived to permit an action that both sides agree is desirable, then both sides should be able to agree on a waiver. In the case of the residential exchange, a mutually agreeable buyout has been used before and can be used again. If the rights of even a minority of customers are trampled by a particular action, then that minority must be made whole.

In addition, Clark disagrees with the proposal to charge market prices for some components of the Tier 1 rate. Preference customers should be able to buy power at cost. That does not apply only to energy, but also to capacity, load following and any other product supplied from the federal system. It may be difficult to price joint products, but it is simply unfair to effectively price some components above cost and others below.

On the issue of conservation, Clark has a somewhat different view than that endorsed by either WPAG or PPC and agrees with BPA's proposal. The purpose of recognizing conservation resources in calculation of the HWM is to provide utilities with an incentive to continue conservation efforts in the period between now and the time when the HWM is determined. BPA's proposal to give credit for self-funded conservation and at least partial credit for BPA-funded conservation done between now and then accomplishes that goal and avoids going too far into the questionable exercise of determining the amount of conservation done with utility money in the past.

In summary, Clark Public Utilities urges you to continue allowing your proposal to evolve in keeping with the comments made by your preference customers through WPAG and PPC, as well as through customer meetings.

Sincerely,



Wayne W. Nelson  
CEO/General Manager  
Clark Public Utilities