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October 30, 2006

Bonneville Power Association
Public Affairs Office dkc-7
P.O. Box 14428
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To Whom It May Concern:

Blachly-Lane Electric Cooperative (BLEC) appreciates being able to provide comments on the Bonneville Power Administration *Long-Term Regional Dialogue Policy Proposal* that was released July 13, 2006. Collectively we have been working for many years alongside the staff of PNGC the Northwest Power and Conservation Council, and many others in the region to advocate proposals that could achieve long-term contracts and much needed stability.

While our comments contain concerns expressed about some aspects of the proposal, the base proposal is a significant step in the right direction. BLEC supports the basic policy BPA has adopted of limiting its sales of embedded cost power to output of the existing Federal Base System and charging incremental cost for service beyond that level.

BLEC continues to oppose the proposal to use power sales revenues to make early debt payments. Deficit reduction on the backs of Northwest ratepayers is inequitable and is bad policy, and we appreciate the actions of the Northwest Congressional delegation to defeat the proposal earlier this year. Remember, all of BPA's costs are paid by ratepayers, not taxpayers.

BPA should take care to build safeguards into the methodology to separate TIER 1 costs from those of TIER 2. Tiered Rates Methodology should be put in place as soon as possible so that customers can elevate the risks of various purchase strategies for meeting their load post-2011. The Tiered Rates Methodology should be put in place and approved by FERC prior to the offering of Regional Dialogue contracts.

Contracts should limit BPA's ability to change the value of the products offered or change the term so as to alter the value of TIER 1 during the term of the contracts. We should be able to enter into clear, concise contracts against which we can make decisions about how to meet load over the High Water Mark (HWM).

***"Blachly-Lane will exceed consumer expectations as a progressive leader,
and as a responsive and dependable provider of superior products and services"***

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Transmission issues should be addressed quickly; otherwise it will be impossible for customers to make informed choices about future load service without the pressing transmission issues being answered. BPA should continue to find ways to achieve region wide transmission expansion planning (and enforceable cost allocation for such expansions), re-integration of resource and transmission planning, common queues and study process for new requests, and single region wide available transmission capacity calculations, to name a few.

If individual utilities declare themselves part of a Joint Operating Entities, BPA should allow the combining of such HWMs for subsequent planning and operations to occur on a pooled basis – including determination of new requirements for determination of TIER 1 service, declaration of any TIER 2 amounts, within rate period operation of any product, resource planning, and power sales contracts.

Time is of the essence for utilities to have the structure they need to investigate and commit to non-federal resources; it is imperative that BPA establish its obligation to serve TIER 1 and options for serving TIER 2 loads as soon as possible. The regional dialogue proposal is a good starting place for defining BPA's obligations.

Preference power customers who have statutory preference rights to the power produced by the federal system should not be penalized in the event that political considerations prevent the IOUs to reach any reasonable settlement.

The current Slice product provides important benefits to the region not the least of which is spreading the risk inherent in a hydropower-based system. In the future, a viable Slice product will be important to the success of the broader objectives of the Regional Dialogue Policy, while maintaining the objective of avoiding any negative impact upon other customer groups.

BLEC recognizes the statutory obligations to share the benefits of the federal base system with the small farm and residential customers of the region's investor-owned utilities. We believe those benefits should be provided in the form of financial benefits rather than direct power sales. Settlement discussions should continue in order to try to create an agreement that both preference customers and investor-owned utility representatives believe is equitable. Because rates for customers of some preference utilities are now as high or higher than those of some investor-owned utilities, a proper application of the law might lead to benefits much lower than current amounts.

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BLEC appreciates the challenges the BPA staff face with the *Direct Service Industries* in trying to create a consensus resolution of this issue. However, we believe that both the law and the facts relating to regional economics indicate that BPA should discontinue service to these entities.

Cost control and dispute resolution are all critical to long-term success under new contracts. Especially in the instance of contracts that may be 20 years or more in duration, it will be necessary to make tools that create confidence among utility customers that will have a higher level of knowledge and input into the costs that each is expected to pay.

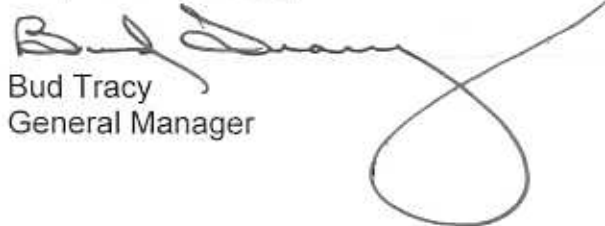
While BLEC appreciates the steps forward in the Regional Dialogue Policy to formalize the type of transparency and customer involvement that are already in place, we are concerned that this will not be sufficient over the course of these contracts.

We urge BPA to continue to work with the customers to come to agreement around cost control tools creating more direct customer input into the process run by BPA to determine cost levels and cost assignments.

As a member of PNGC, we trust you will consider the *Technical Appendix* submitted by PNGC on behalf of all their members.

Thank you for considering these comments in response to your regional dialogue.

Cooperatively Yours,

A handwritten signature in black ink, appearing to read 'Bud Tracy', with a large, stylized loop at the end of the signature.

Bud Tracy
General Manager