



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

POWER BUSINESS LINE

June 4, 2004

In reply refer to: PL-6

Dear Customers and Other Interested Parties:

I am taking this opportunity to thank those of you who took time to respond to my letter dated April 29, 2004, and to update you on the course of action the Bonneville Power Administration (BPA) plans to take regarding a recent customer request.

Public Utility District No. 3 of Mason County (Mason 3) requested that BPA's Power Business Line (PBL) extend the term of its five-year BPA Subscription power sales contract by another five years. We have agreed to Mason 3's request and will offer them a contract amendment providing for the extension. At this time we contemplate no other power sales contract actions outside of current terms prior to the publication of BPA's final Record of Decision on the Regional Dialogue, expected this fall.

In addition to the situation mentioned above, my letter also explained that Mason 3's contract contains language guaranteeing the lowest applicable cost-based power rates provided under the Priority Firm rate schedule through September 30, 2011. Two other utilities – Emerald People's Utility District and the City of McMinnville – have similar language in their contracts. The letter caught the attention of many of you.

We received about two dozen comments from customers and customer representatives. All were generally or conditionally supportive of our proposed action. Many comments suggested that as a matter of equity, BPA should extend the term of all expiring five-year contracts and include the "lowest PF rates" guarantee. A few of the comments questioned why we were taking this action outside of the Regional Dialogue process. One commenter suggested that we revise BPA's Subscription Strategy as a means of handling the issue for other five-year contract parties. Several other comments dealt with suggestions for changing products.

We appreciate the concerns raised regarding the perception of fairness and equitable treatment of other five-year contract holders. The fact remains that Mason 3's existing contract contains the lowest PF rates guarantee through September 30, 2011. The outcome of the Regional Dialogue will not change the rights of Mason 3 under their contract; therefore, we decided to honor their request. We also concluded that making this customer wait until the close of Regional Dialogue process to announce a conclusion that is already clear per the terms of the contract would not be fair to the customer.

With regard to suggestions that we also extend the terms of other customers' five-year contracts in the interest of equitable treatment, doing so would not provide the actual result the customers

are seeking. Their contracts would continue to lack the language guaranteeing the lowest PF rates through September 30, 2011.

BPA will use the Regional Dialogue process to address the issues surrounding future rates treatment of customers with five-year purchase commitments whose contracts do not contain the lowest PF rates language. Additionally, product choices for Fiscal Years 2007-2011 are a subject for our Regional Dialogue proposal available in late June.

We realize it is unusual for us to seek comment on a pending amendment to the term of a power sales contract, but due to its overlap with issues to be addressed in the Regional Dialogue, we chose to make this information available now.

Once again, thank you very much for your comments. They have been extremely helpful in informing a portion of our Regional Dialog proposal. We clearly understand the importance of fairness and equity in our future contract actions. If you have questions about this matter, please contact me, your PBL account executive, or your constituent account executive.

Sincerely,

**/s/ Alexandra B. Smith**

Alexandra Smith  
Vice President of Requirements Marketing

cc:

Northwest Power and Conservation Council:

Judi Danielson, Chair  
Melinda Eden, Vice-Chair  
Jim Kempton – Idaho  
Ed Bartlett – Montana  
John Hines – Montana  
Gene Derfler – Oregon  
Larry Cassidy – Washington  
Tom Karier – Washington

Lee Beyer – Oregon Public Utility Commission

Marilyn Showalter – Washington Utilities and Transportation Commission

Paul Kjellander – Idaho Public Utilities Commission

Bob Rowe – Montana Public Service Commission