



April 29, 2008

Mr. Mark O. Gendron, Vice President, Northwest Requirements Marketing  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208

SUBJECT: Canby Utility comments on draft Regional Dialogue Contracts

Dear Mr. Gendron:

We received the Bonneville Power Administration's draft Regional Dialogue contract for review. Unfortunately, we find the document far too vague and poorly written for our use.

I write this reluctantly because Canby Utility has gone on record expressing support for the Regional Dialogue process and for BPA's efforts to tier power rates and give public power utilities more choice in how they meet load growth.

But we noted in our October 2006 comments that BPA's schedule made little sense. We said: "BPA's proposed schedule would have utilities receive their federal power allocation in 2011 three years *after* they signed 20-year contracts. We request instead that BPA assign shares of the federal power system, based on current and/or historic loads, before the contract signing deadline of 2008. We also request that BPA better define the products and services it intends to offer for load growth before offering contracts."

We understand that BPA is reluctant to re-design High Water Marks to reflect current and/or historic loads, rather than loads in 2011. But we repeat our basic request: in order for the contracts to work, BPA needs to provide us with an understandable contract that contains, among other things, the estimated (if not the actual) High Water Mark and key definitions.

The version that BPA sent out for public comment is partially complete and omits essential terms, which are left to BPA to determine in the upcoming Tiered Rate Methodology rate case. The current version of the contract, for example, does not even define High Water Mark or Net Requirements, the two key definitions that form the basis of what Canby Utility can purchase from BPA at Tier 1 prices.

I cannot take a partially-drafted contract of this importance to my Board of Directors for its consideration.

Mr. Mark Gendron  
April 29, 2008  
Page 2

We therefore request that BPA make revisions to this draft and send out the agreement again for public comment. The second version should contain key definitions, as well as a placeholder High Water Mark, and it should be structured so that a general manager of a utility can easily understand what he or she is buying from BPA for 20 years and what services the utility can buy elsewhere.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Dirk Borges", with a long horizontal flourish extending to the right.

Dirk Borges  
General Manager

cc: Mr. Jim Newton, Canby Utility Board Chair  
Ms. Tina Ko, BPA Account Executive