

May 9, 2008

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

Re: Comments on Regional Dialogue Contracts

Dear Mark:

This letter is submitted on behalf of PPC, NRU, PGP, PNGC Power and its member utilities, and WPAG. It briefly responds to the agency's request for comments on the draft Regional Dialogue contract templates, released by BPA on April 7.

Our organizations have directed our respective legal representatives to work on the contract templates as necessary to identify priority issues and work through solutions to those issues with BPA. Our organizations, and many of the members we represent, are not submitting detailed comments at this time because preparing them would conflict with the important work of contract drafting. We, and our utility members that elect not to comment at this time, reserve the right to submit further comments later, and the fact that an issue or matter is not raised in this letter should not be construed by BPA as our acceptance of the matter or of the contracts as a whole.

Below are the general areas of concern to public power; our different organizations may value these issues differently, and so please do not take the order presented as an indication of the relative importance of the issues to any particular organization.

- All key aspects of the business deal need to be stated in the body of the contract in such a way that utility managers and BPA 10 years from now can read the contracts and understand their and BPA's obligations.
- Important components of the regional dialogue structure need to be adequately described and secured by the contracts. In particular, the methods and procedures governing the calculation of a customer's Contract High Water Mark (CHWM), Rate Period High Water Mark (RHWM), and Net Requirements define the extent to which preference customers will have access to the federal system power at cost over the term of the contract. The rules for establishing and calculating these components need to be secured in the contract.
- The Tiered Rates Methodology (TRM) specifies how customers' federal power purchases will be priced, and therefore is critically important to the long-term value

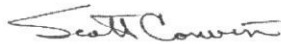
of the regional dialogue construct. The method for changing the TRM should be specified in the contract to assure durability of the rate structure over time.

- The current contract draft gives BPA authority to revise the exhibits without the consent of the customers. The customers need such language to be clarified such that exhibits may not be changed without customer consent. Certain exhibits will be based on joint development by BPA and the customer and should be approved by both parties to assure correctness for the operating year. The current Slice contract contains examples where joint approval of exhibits is critical.
- The contracts do not adequately address enforcement issues that the customers seek. They must include workable provisions for prompt and fair resolution of contract disputes. A customer's right to switch to another requirements product should not be subject to rigid timing limitations, as long as costs are not shifted onto other customers. In addition, the "no warranty" language is new and unnecessarily diminishes the customers' ability to enforce its contractual rights.
- Exhibits are unduly long and confusing (in particular, the resource declarations required of Exhibit A). Much of Exhibit A is the structure of the deal and should be in the contract. Resource removal rights give BPA too much authority over customers' control of their own resource choices.

The issues identified above are not the only issues that our organizations have with the draft contract templates. Again, due to the time constraints we are all under, we prefer to devote time to working through the difficult contract policy and drafting issues that are ahead of us, rather than drafting comments.

We look forward to working with BPA to resolve these and other issues in the weeks to come.

Very truly yours,



Scott Corwin

On behalf of the utilities and organizations named

cc: Steve Wright
Paul Norman
Scott Wilson
Dale Latham

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