

CON-019

PUBLIC UTILITY DISTRICT NO. 2 OF PACIFIC COUNTY



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May 9, 2008

Bonneville Power Administration
P.O. Box 3621
Portland, WA 97208

Attn: Mark O. Gendron
Vice President
Northwest Requirements Marketing

Dear Mr. Gendron:

Public Utility District No. 2 of Pacific County is a full requirements customer of the Bonneville Power Administration and appreciates all the hard work that has been expended, and continues to take place, in developing new 20-year contracts. Draft Regional Dialogue contracts have been distributed and BPA has asked that initial comments be submitted by close-of-business on Friday, May 9, 2008. Since public power representatives are working with BPA staff on issues relating to these draft contracts, they have limited time and therefore are not making detailed comments for their clients for today's deadline. Therefore, the District would like to express the following concerns based on a review of the current draft of the Regional Dialogue Load Following contract.

- When reading through the draft contract, certain terms are not defined and it is difficult to understand the rights and duties of the customer. The contract must be better organized, should use clear language and proper definitions, and should state with simplicity the nature of the business deal.
- BPA has developed a separate Tiered Rate Methodology document that describes the specifics of the new business arrangement. It appears that the elements of this paper can be amended at any time without the input of customers who are subject to its terms. This change mechanism must be incorporated into the Load Following contract since it is the document that establishes the business rights and duties of the parties and it should be subject to an approval process by the customers.

- The draft contract provides no protection to the customer against future legislation or agency regulation. When first discussing tiered rates, the District thought each public customer would be allocated a portion of the system based on historical loads and that this element and the particulars of the deal would never change over the life of the contract. By signing the draft Load Following contract, customer would agree that there is no warranty against future change. Current contracts are silent on this issue.
- Important elements such as CHWM, RHW, net requirements, non-federal resource amounts, and utility load forecast are determined by BPA and the customer has no ability within the draft contract to dispute or otherwise contest such determinations before a neutral third party. Binding dispute resolution is only available for a customer when agreed to the process by BPA, and not as a matter of right. The document as written offers less enforceability through dispute resolution than our existing contract.
- The process for determining key elements of the business arrangement, such as the CHWM and RHW, that set what power can be bought at what price should be included in the Load Following contract. This contract, not a rate policy such as the Tiered Rate Methodology, sets the business deal between the customer and BPA and that is where these key components should be described and developed.

There are other issues that were identified with the draft Load Following contract but those listed above describe the most problematic. Additional comments may be submitted at a later time as future drafts are released.

A twenty year contract binds the parties for a lengthy period of time. It is important that these and other issues be satisfactorily resolved by the parties in a timely manner before releasing a final Regional Dialogue Load Following contract that could then be considered for approval by the Board of P.U.D. No. 2 of Pacific County.

Sincerely,

Douglas L. Miller
General Manager

Cc: Board of Commissioners
Kirsten Watts, Power Services Account Executive

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