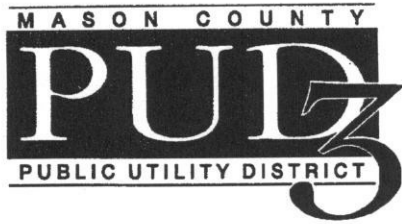


CON-023



**COMMISSIONERS**  
LINDA R. GOTT  
BRUCE E. JORGENSEN  
JOHN H. WHALEN  
**MANAGER**  
WYLA J. WOOD

May 9, 2008

R. Kirsten Watts  
Customer Accounts Executive  
Bonneville Power Administration  
909 First Avenue, Suite 380  
Seattle, WA 98104-3636

Dear Kirsten:

Thank you for the opportunity to comment on the Regional Dialogue load following templates. Mason County PUD No. 3 believes that input, serious consideration of customer issues and ultimate modifications of the current terms are vitally important if this process is to succeed.

The Commissioners and staff of Mason County PUD No. 3 have a group of issues on which we wish to comment. They are as follows:

1. We strongly disagree with the requirement to forego billing credits as a condition of contract signing. Not only is this bad public policy with regard to rights our customers may have in the future, our legal counsel has expressed grave concern that surrendering a statutory right as a condition of executing a contract for which the utility has not received consideration raises serious legal questions. We believe BPA has the statutory obligation to offer us a cost-based contract and cannot hold us hostage and require us to give up statutory rights in order to get a power sales contract with the agency.
2. One of the main reasons the Administrator is advocating signing the contracts is to protect the assets of the Northwest and make them immune from meddling from Washington, D.C. Section 20 clearly states otherwise. Clearly the reasoning given to the region over the past several years is a fallacy. This contract will give us no protection from changes in administrators, federal administrations or congressional representatives and actions.
3. Section 4(d) states that the Tiered Rate Methodology (TRM) will be binding but will not be a matter of contract. Since the TRM is the "guts" of the deal, it appears that BPA is holding all the rights to make changes and public utilities do not know what the deal is that they are asked to sign.
4. We believe it is absolutely necessary that the methodology for determining the Contract High Water Mark (CHWM) and Rate Period High Water Mark (RHWM) be

R. Kirsten Watts  
May 9, 2008  
Page 2

laid out in contractual language rather than in the rate making process. These basic methodologies need to be firmly established rather than subject to the vagaries of rate cases.

5. Contracts should be an agreement between equals. We do not see this characteristic in the proposed contract language. BPA retains for itself the ability to change contract language in a number of places in a unilateral manner. This does not meet the legal standard for contracts.

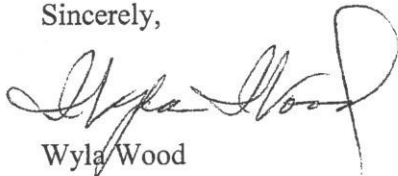
6. Time lines for notice and commitment all flow to BPA's benefit and make decision making and response to circumstances virtually impossible for customers. Again, this is not the generally accepted legal theory for contracts.

7. The ability to change products occurs only once during the contract period and is the same date for all customers. This is a curious requirement that creates a potentially huge reshuffling and redoing of the entire process, to no one's benefit.

Mason County PUD No. 3 sees these issues as very fundamental and the core of the proposed business deal. It appears to us that the new contracts as offered reduce rights, flexibility and simplicity from what we presently have. We have extremely serious concerns about the value and viability of the contracts as presently proposed.

We look forward to working with BPA to rectify these substantive issues so that we may give appropriate consideration to execution.

Sincerely,



Wyla Wood  
Manager

WW:nb

cc: Board of Commissioners, Mason County PUD No. 3  
Jay Himlie, Power Supply Manager, Mason County PUD No. 3  
Matt Samuelson, Power Supply Analyst, Mason County PUD No. 3