



# lakeview light & power

May 9, 2008

George T. Reich – Account Executive  
909 First Avenue, Suite 380  
Seattle, WA 98104-3636

Re: Preliminary Comments on the Draft Regional Dialogue Load Following Contract

Dear George,

The following preliminary comments are submitted on behalf of Lakeview Light & Power (“LL&P”) in response to Bonneville’s request for comments. As you know, LL&P is a member of the Western Public Agencies Group, and its representatives are working closely with their Bonneville counterparts on the details of the draft Load Following Contract. However, I felt it was appropriate to provide you with some comments from the perspective of LL&P, with the understanding that these are preliminary comments that we will no doubt wish to supplement at a later date as the draft Load Following Contract evolves and changes.

1. Protection from Legislation and Regulations

The draft contract disclaims any warranty against change due to subsequent legislation or agency regulation. This is a step back from the current contract, which is silent on this issue. This language places us in a worse position than is currently the case for protecting our access to the Federal system at cost, because it eliminates any defenses that a customer would have, to resist legislative or agency regulatory change. This language should be removed from the draft contract.

2. Resource Notice And Commitment

As you know, LL&P has already had some experience developing and bringing on-line non-federal resources, in our case the White Creek Wind Project. I can tell you from that experience that the contract requirement of three years’ advance notice and a five year commitment for use of a non-federal resource to serve load above the RHWL is unworkable. This notice is too long and too inflexible, and will impair the ability of customers to actually develop and use non-federal resources. What is needed is a notice period that is shorter and more flexible so that it can be tailored to the timing of the non-federal resource. The commitment period should correspond with the rate periods, making a four year commitment a logical choice. This is vital if customers are going to develop non-federal resources.



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### 3. Contract Organization and Readability

It is very important that the contract be written in such a way as to be understandable by both Bonneville and the customer, since it is the document that will state our respective rights and duties. The current draft of the Load Following Contract does not meet this standard. The contract is poorly organized and difficult to understand. If left unchanged, this will result in misunderstandings and disputes that are both unnecessary and counterproductive. The contract must be much better organized, should use clear language, and should state with simplicity the nature of the basic business deal it is attempting to capture.

### 4. Dispute Resolution

As you know, LL&P has had virtually no disputes with Bonneville over the years, and has always been able to work out areas of difficulty. We expect that to continue in the future. However, under the Tiered Rates business paradigm Bonneville will be making many decisions that will have a direct and immediate impact on the costs faced by LL&P. I firmly believe that having the ability to take a contentious issue to a neutral third party for a binding decision actually encourages the parties to resolve matter short of that step. The draft contract only offers binding dispute resolution when Bonneville agrees to it, which is a step backwards from what is contained in our current contract. The draft contract needs to provide binding dispute resolution before a neutral third party as a comprehensive remedy available as a matter of right for the customer.

### 5. Product Switching

LL&P will likely begin the new contract period as a full requirements customer of Bonneville. However, none of us can safely predict how this new business paradigm will unfold, or how our governing bodies will react to it over time. It is crucial that medium and small utilities that may wish to continue their current relationship with Bonneville at the outset have the ability to shift to a different product at the time it is appropriate for the utility to do so. Granting customers the ability to control the timing of such a product change will come at no cost to Bonneville, and will be a substantial advantage to the customers such as LL&P.

### 6. Changing the TRM

The ability of utilities to make the capital and organizational commitments needed to undertake non-federal resource development depends on the permanence of the Tiered Rate Methodology, which is the heart of the new business relationship. The process for modifying the Tiered Rate Methodology must be set out in the contract, since that is the document that establishes the business rights and duties of the parties. And any change must be subject to approval by a majority of the customers whose power rates are set under it. This will provide the solid foundation for non-federal resource development by the customers.



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In closing, I would be remiss if I did not thank you and the Bonneville staff who are working so hard to bring all of this together. The tiered rates paradigm is a complicated business relationship, and it requires time and patience to do it correctly. I sincerely hope that Bonneville will take the time needed to do all of this correctly.

Thank you for the opportunity to provide you with my comments.

Sincerely,

Robin A. Rego

General Manager