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PUBLIC UTILITY DISTRICT NO. 1

of
Skagit County

CON-043

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July 11, 2008

Mark Gendron, Vice President Northwest Requirements Marketing
Bonneville Power Administration, MS/ PS-6
Post Office Box 3621
Portland OR 97298-3621

RE: New Public Utility Preference Customers of BPA

Dear Mr. Gendron:

BPA has requested public comments on:

- The Regional Dialog Contract Templates,
- The Tiered Rate Methodology Settlement, and
- How certain aspects of the High Water Mark are to be calculated.

All of these are topics that can have a substantial impact on the formation of new Public Power electric utilities who desire to become preference customers of BPA.

On behalf of the Public Utility District No. 1 of Skagit County (SPUD), I would like to provide BPA with the following comments. We are a municipal corporation of the State of Washington. We are concerned about the importance of electric power to our local community and the importance of having competitively priced electricity reliably delivered to our citizens and businesses. As such, we have been evaluating the feasibility of forming a new electric utility that would comply with all BPA Standards of Service. If conditions warrant, we would apply for power from BPA pursuant to Section 5(b)(1) of the Northwest Power Act.

We believe that the greatest public good would occur if BPA coordinates with new potential preference customers, such as ourselves, on a case by case basis and allows for the timing of when a determination is made that we have met the BPA standards of service and when and for how long the binding request for service from BPA can be made.

In particular, we feel it is important that the Tiered Rate Methodology, Regional Dialog Contract Templates, and High Water Mark calculations be implemented in such a way that there is no need to sequentially (1) meet BPA standards of Service, then (2) provide full service to customers concurrent with waiting a hypothetical 3-year planning horizon, and (3) then and only then taking BPA power, including a portion of Tier 1 power.

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A better approach, and the one we favor, is consistent with past BPA precedent and granting the BPA Administrator discretion in maximizing the public good. Specifically, we suggest that:

1. As part of the new preference customers formation process that we be allowed on a case-by-case basis to meet with BPA and discuss the utility formation schedule.
2. That on a case by case basis that BPA allow for the new preference customer to submit documents and plans indicating how we will meet the Standards of Service and when we will be able to start serving customers.
3. That on a case by case basis that BPA and the potential new preference customer determine the timing of when a binding contract request must be made such that it is consistent with providing advance planning notice, but such that it is not an arbitrary length, and not any longer than needed based on current market conditions. The objective of this joint determination will be so that the new preference customer can become operational concurrently with the availability of BPA to provide that customer with an allocated amount of Tier 1 power as allowed for in the Tiered Rate Methodology.

In summary, we ask that BPA not implement a rigid concept of a sequential set of steps requiring new utility formation, then operation to be sequentially followed by requiring a fixed 3-year planning horizon binding service request before Tier 1 power will be available. We recognize the need for advance notice and planning horizons; however, we should be able to cooperatively and jointly adjust the schedule when a new utility starts serving its customers on a case-by-case basis so that service is concurrent with the availability of some Tier 1 power.

Sincerely,



David L. Johnson, P.E.
General Manager

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cc: Nita Burbank, BPA MS/PFP-6
Margie Schaff, ATNIEDC
Robbie Robertson, SPUD Commissioner
Al Littlefield, SPUD Commissioner
Jim Cook, SPUD Commissioner
Patty Murray, United States Senator
Maria Cantwell, United States Senator
Rick Larsen, United States Representative