



November 7, 2008

Mark O. Gendron
Vice President
Northwest Requirements Marketing
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

Re: Correction to Pend Oreille PUD's Exhibit C

Dear Mark:

At the meeting of the Public Power Council Executive Committee held on November 6, 2008, Commissioner Dan Peterson made a presentation regarding the amount of output declared in Exhibit C for Pend Oreille PUD's Box Canyon Project, and the implications of this declaration for the determination of its Contract High Water Mark (CHWM) under the soon to be executed Regional Dialogue contract.

In summary, he explained that the Exhibit C output amount for Box Canyon is in error, and substantially overstates the firm output of this resource. The difference stems from the fact that the current output amount uses average water rather than PNCA determined amounts. Correcting this would result in the output of the Box Canyon Project being decreased by about 7.7 aMW. This would result in a decrease to the amount of Tier 1 power available to other preference customers by that amount.

We understand that if this matter is left uncorrected, it will have a drastic impact on the CHWM determination for Pend Oreille PUD. Commissioner Peterson stated that, without this correction, the utility would have about 30% of its retail load being served at Tier 2 on day one of the Regional Dialogue contract. Pend Oreille PUD believes that they are the only preference customer in this position, and that having so much of their retail load served at Tier 2 is an inequitable outcome that was not intended by BPA or preference customers.

It was also explained that BPA staff expressed concern that correcting this error would result in a flurry of objections, and additional requests for corrections to other non-federal

resource amounts; understandably, BPA staff does not want to revisit non-federal resource determinations already made this late in the Regional Dialogue process. They requested that Pend Oreille obtain written assurances from several BPA customer groups, including the Public Power Council, that correcting this matter will not lead to multiple objections and new requests.

After discussion, a motion was passed by the Executive Committee on behalf of the Public Power Council to send a letter stating that the Public Power Council does not object to BPA correcting this and adjusting the amount of declared Box Canyon output that will be used to determine the CHWM for Pend Oreille PUD. Individual utility members of the Public Power Council retain the right to take whatever position they deem appropriate on this matter.

During the discussion of this topic, it was stated a number of times that this resolution of the Box Canyon issue should not be used as a pretext for revisiting other non-federal resource determinations made by BPA during the Regional Dialogue process, nor as a precedent by which bilateral issues between BPA and a particular customer be referred to the Public Power Council for resolution. This approach should be the exception and should not become the rule.

I trust that this letter is responsive to your request.

Sincerely,

A handwritten signature in black ink that reads "Scott Corwin". The signature is written in a cursive style with a large, sweeping initial "S".

Scott Corwin
Executive Director
Public Power Council