

Submitted by email on 1/11/2008

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BPA

RE: Tiered Rates Methodology (TMR) discussion paper

Benton PUD (District) appreciates BPA Power Services (PS) staff providing the discussion paper and opportunity to comment. PS staff and customers have worked closely together on many of the concepts contained in the paper and it's a good start toward this important element of the Regional Dialogue.

Specific comments.

P 36, lines 17-21 and P 38, lines 14-16: No arbitration or audit rights. The District is not willing to accept true-ups to actuals without audit and arbitration rights similar to those in the current contract as modified by the mediation settlement.

P 73, item 160: Interest Earned on BPA fund. This credit should be included in the Composite Cost for the following reasons:

1. Current slice customers have not had access to BPA PS reserves since the beginning of the slice contract. BPA's reserves on 10/1/2001 were \$625M. Non slice customer's rates have caused these reserves to be below and above this level since that time. Since slice customers have not caused any change to these reserve levels, they should continue to benefit from the reserves left in the system at the beginning of the slice contract.
2. The current growth in reserves is due in part to charging all customers, including slicers, for IOU benefits but not paying them out to the IOU's. Slice customers have contributed to this growth in reserves.
3. Some of the interest earnings may be due to debt optimization and other ENW financing activities. Slice customers are charged for third party debt service and have been impacted by DOP, and should continue to benefit from any interest earned from these activities.

Since tracking these reserves by slice/non-slice activities would be difficult, interest earnings should continue to be a composite cost.

P 73, item 165, 169, 170. Ancillary service revenue and PS revenue resulting from off-the-top obligations: BPA's final RD policy referred to the July 2006 policy proposal for many slice details. The following statement appears on page 42 of this document: "BPA Power revenues resulting directly from off-the-top obligations would be shared proportionally with Slice customers." It is not clear what items 165, 169, and 170 refer to in this section, but to the extent any off-the-top capacity is utilized to provide these services, the revenues should be in the composite cost section.

Very truly yours,

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