

November 25, 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 Slice CEO's held on November 5, 2008, Bob Geddes and Loren Baker 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, they explained that the Exhibit C output amount for Box Canyon is in error, and substantially overstates the firm output of this resource. The errors stem from the fact that the current output amount uses average water rather than PNCA determined amounts. Correcting this error would result in the output of the Box Canyon Project being decreased by approximately 7.7 aMW. This would result in a decrease to the amount of Tier 1 power available to other preference customers, and to the amount of the Slice product available to other utilities that will sign a Regional Dialogue Slice contract, by that amount.

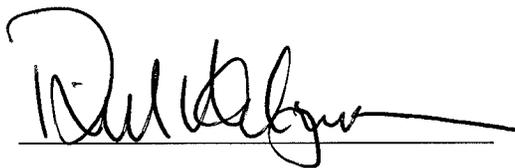
We understand that if these errors are left uncorrected, they will have a significant impact on the CHWM determination, resulting in Pend Oreille PUD having about 30 percent of its retail load being served at Tier 2 on day one of the Regional Dialogue contract. Pend Oreille PUD believes that they are 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 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 does not want to revisit non-federal resource determinations already made this late in the Regional Dialogue process, and requested that Pend Oreille obtain written assurances that correcting this error will not have these results.

Mark O. Gendron  
Letter Regarding Correction to Pend Oreille PUD's Exhibit C  
November 25, 2008  
Page 2

After much discussion, a motion was made and unanimously approved by the Slice CEOs stating that the current Slice customers have no objection to BPA correcting these errors and adjusting the amount of declared Box Canyon output that will be used to determine the CHWM for Pend Oreille PUD, and that this correction will not be used as a rationale to seek adjustment to any other non-federal resource determination made by BPA in the Regional Dialogue process.

I trust that this letter is responsive to your request.

A handwritten signature in black ink, appearing to read "Dick Helgeson", written over a horizontal line.

Dick Helgeson  
Chair, Slice CEO Committee

cc: Bob Geddes, Pend Orielle PUD  
Loren Baker, Consultant  
Slice Utility Managers