



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

November 10, 2008

Re: Correction to Pend Oreille PUD's Exhibit C

Dear Mark:

I have discussed with Loren Baker the issue of 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 its soon to be executed CHWM contract.

As I understand it, the Exhibit C output amount for Box Canyon is in error and substantially overstates the firm output of this resource. The error stems from the current output amount using average water rather than PNCA determined amounts. Correcting this error 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.

If this error is left uncorrected, it will have a drastic impact on the CHWM determination, resulting in Pend Oreille PUD having about 30% of its retail load being served at Tier 2 on day one of the CHWM contract. Pend Oreille PUD believes that it is the only preference customer in this position, and that having so much of its retail load served at Tier 2 is an inequitable outcome that BPA and preference customers did not intend.

Mr. Baker explained BPA's concern that correcting this error may 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. BPA requested that Pend Oreille PUD obtain written assurances that correcting this error will not have these results.

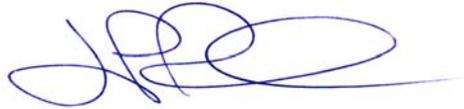
Pacific Northwest Generating Cooperative

711 NE Halsey • Portland, OR 97232-1268

(503) 288-1234 • Fax (503) 288-2334 • www.pngcpower.com

In response to this request, PNGC has 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. However, BPA should not use this resolution of the Box Canyon issue as a pretext for revisiting other non-federal resource determinations made by BPA during the Regional Dialogue process.

I trust that this letter is responsive to your request.



John Prescott
President and CEO

Cc:

Bob Geddes – Pend Oreille PUD

Loren Baker – Consultant for Pend Oreille PUD

John Saven – NRU

Scott Corwin – PPC

Dick Helgeson – EWEB

Rick Crinklaw – Lane Electric Cooperative