



Department of Energy

Bonneville Power Administration
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POWER SERVICES

August 17, 2010

In reply refer to: PS-6

To Interested Parties:

The Bonneville Power Administration has concluded its regional public review of the proposed power sales contract developed with and signed by Jefferson County Public Utility District (Jefferson PUD) on June 30, 2010. BPA accepted public comments from July 12 through August 2 on the terms of the contract that is BPA's first power sales contract for a new public utility under the Regional Dialogue Policy and Tiered Rates Methodology (TRM). Twenty comments were received and are posted at: www.bpa.gov/applications/publiccomments/CommentList.aspx?ID=107.

Eighteen of the 20 comments specifically expressed support of Jefferson PUD taking power service from BPA. Snohomish PUD expressed neither support nor opposition, but asked about the timing for setting Jefferson's contract high water mark (CHWM). A comment from Pacific Power and Portland General Electric (PAC/PGE) stated no opinion on service.

Several comments explicitly supported BPA's execution of the power sales contract and no comment suggested changes in the contract's terms or identified issues with the contract. Supportive comments came from community groups (Jefferson County Board of Commissioners, Peninsula Development District, Citizens for Local Power, Team Jefferson, and The Port of Port Townsend); existing Public Utility Districts (Grays Harbor, Pacific, Mason PUD #1, and Asotin); utility organizations (Energy Northwest, Northwest Requirements Utilities, and the Washington PUD Association); the Mayor of Port Townsend; and five private citizens. Supporters complimented Jefferson PUD and Puget Sound Energy (PSE) for amicably working out an agreement and BPA for quickly putting a contract together.

Several comments urged BPA to make low cost power at Tier 1 Priority Firm (PF) rates available to Jefferson PUD as soon as possible and pointed to BPA's TRM, which establishes the process for receiving access to power at Tier 1 PF rates. Snohomish County PUD highlighted the importance of ensuring that the approach stated in the TRM on CHWMs for New Publics is carried out as envisioned. PAC/PGE asked for clarification on whether BPA could accept Jefferson PUD's binding notice under the TRM. They noted that Jefferson PUD's ownership of the distribution system was not actual and asked when the notice required to receive power at Tier 1 PF rates would be effective.

One of the key requirements for BPA signing the contract was met August 6, 2010, when BPA determined Jefferson PUD met BPA's Standards for Service. Jefferson PUD had provided information to BPA on June 14, 2010, demonstrating that it believed it had complied with BPA's Standards for Service. Based on BPA's preliminary review of the information, BPA presented the proposed Regional Dialogue contract to Jefferson PUD, and Jefferson PUD signed and returned that contract to BPA on June 30, 2010. The Standards for Service determination explains how the information provided by Jefferson PUD meets BPA's requirement for ownership of the distribution system.

The opportunity for regional input on the contract resulted in comments in support of BPA signing this contract and BPA has determined that Jefferson PUD meets BPA's Standards for Service. Therefore, BPA

concludes that no further modifications to the contract are needed and BPA will execute the contract with Jefferson PUD.

Regarding PAC/PGE issue on acceptance of Jefferson PUD's binding notice, BPA is obligated under section 4(d) of the Bonneville Project Act to provide a potential customer with reasonable opportunity and time to "... take any action necessary to ... acquire necessary and desirable electric distribution facilities" 16 U.S.C. 832c (d). Each service request will present its own set of facts.

In this instance, Jefferson PUD is an existing, operating utility established and operating since 1940. It seeks to expand its service to include electric service to retail consumers in Jefferson County, and made its request after concluding an Asset Purchase Agreement (APA) with PSE. Given the terms of the APA, that Jefferson PUD is operating, and that it has several means to finance its acquisition of the distribution system, BPA found that Jefferson PUD will own and operate a distribution system on or before the date requested to take service from BPA. These facts were evident when Jefferson PUD provided BPA with its notice and respond in part to the PAC/PGE comment on the Jefferson PUD contract.

Regarding the Snohomish and PAC/PGE comments, BPA currently believes that Jefferson PUD has met the TRM qualifications to receive a CHWM starting July 1, 2013, and plans to include this load service in BPA's initial WP-12 rate proposal. The details of Jefferson PUD's planned amount of retail load to be served in the upcoming rate period, and the timing for eligibility to purchase at BPA's Tier 1 PF rates with a CHWM, will be set in the WP-12 Rate Case. In addition BPA will include the planned service and rate treatment of Jefferson PUD as a topic in a September 2010 rate case workshop for interested parties, before BPA's initial proposal is published.

By signing the contract BPA will welcome Jefferson PUD as the first new public electric utility to provide service under BPA's new Regional Dialogue contracts. BPA appreciates the supportive and thoughtful comments received on the review of the terms for the Jefferson PUD Contract. BPA encourages interested parties to continue to be involved in the upcoming workshop and in the WP-12 Rate Case as issues regarding rates for service are worked out. For further information please contact your customer account executive, constituent account executive, tribal account executive, or me at (503) 230-4983.

Sincerely,

/s/ Mark O. Gendron

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