



Department of Energy

Bonneville Power Administration
P.O. Box 491
Vancouver, Washington 98666-0491

TRANSMISSION SERVICES

JUN 05 2008

In reply refer to: T-DITT - 2

Dear Customer,

I want to update you on the status of the Point-to-Point (PTP) Demand Reduction Pilot I mentioned in the May 1, 2008 letter that BPA has discussed with you over the last few weeks. Transmission Services will proceed with offering a limited-term PTP Demand Reduction Pilot, beginning fall 2008 and continuing for a five year period. We believe this pilot creates potential benefits to both PTP and Network Integration (NT) Transmission Customers by providing some measure of resource flexibility.

We have heard from resource developers that they are uncertain about who will ultimately take power from their generating resources in the future, and that uncertainty is creating some reluctance to commit to signing a Precedent Transmission Service Agreement (PTSA) under the 2008 Network Open Season. We have also heard NT Customers may be interested in acquiring power from new or existing resources to meet their future load growth needs. To balance flexibility needs against rate pressure concerns, we are limiting the annual maximum demand reduction to 150 MW per year.

Under our PTP Demand Reduction Pilot, Transmission Services will allow PTP Customers taking service on BPA's network with a Point of Receipt at a generator to reduce their reserved demand by an amount equivalent to the capacity from that resource added to an NT Customer's service agreement as a new Network Resource. We believe this flexibility offers some relief from stranded transmission costs for the PTP Customer while giving NT Customers increased access to these resources.

We are in a transition period with several ongoing efforts to meet the region's transmission needs for load growth. We are working with our NT Customers to refine resource planning assumptions and to streamline Network Resource designations. Our Network Open Season creates a framework for expanding the system to meet the need to integrate new resources for all customers. We believe the PTP Demand Reduction Pilot will help bridge the transitional period until these new initiatives are fully implemented, so we will offer the pilot for a limited duration of 5 years.

We have posted a draft business practice identifying the core elements of the pilot. We appreciate customer involvement to date and look forward to working with you to flesh out the details and address any questions you may have. We are committed to offering the flexibilities detailed in the draft, but we are also committed to not expanding the scope of the pilot beyond

the limitations identified in the draft. This should result in a workable process that is responsive to the need while limiting rate and financial risks to BPA and all customers collectively.

Mark Jackson from our Marketing and Sales policy staff is developing the business practice with customer participation and can be reached at (360) 619-6253. You can also contact your Transmission Services' account executive for more information.

Sincerely,

A handwritten signature in cursive script that reads "Vickie VanZandt".

Vickie A. VanZandt
Sr. Vice President
Transmission Services