

OWNED BY THOSE WE SERVE

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Mission Statement

"The mission of Douglas Electric Cooperative, a member-owned and operated cooperative, is to provide affordable, reliable electric and other compatible services that enhance the quality of life for its members, using progressive marketing in conjunction with sound financial and management principles."

DOUGLAS
ELECTRIC COOPERATIVE



Regional Dialogue Will Affect Future Power Supply Decisions

Dear Member,

The Regional Dialogue, a process underway for the last two years, is a way for the Bonneville Power Administration's (BPA) customers, including Douglas Electric Cooperative, to envision and plan for power supply and load growth after 2011. The current power supply contracts expire in 2011; new contracts are in the making and will be in place starting October 1, 2011 for a 17-year period. What will be in these contracts is one of the main focuses of the Regional Dialogue effort.

BPA is offering three basic product options: load-following (which could either meet a utility's full requirements or be coupled with a utility's own resources), Slice or Block. On our behalf, PNGC Power representatives are working intensively with others in public power and BPA to determine the particulars of these products. We are interested in products that retain the benefits of the existing federal system but allow us flexibility in meeting our own load growth and charting our own resource future.

These power products are being offered under the new rate system of Tier 1 (based on the cost of the existing federal system), and Tier 2 (based on the cost of outside resources needed by BPA to serve load growth). A key point of concern about BPA's proposed approach is the way rates will change over the life of the contract. BPA proposes to establish a methodology that will govern the process of splitting the rates between Tier 1 and Tier 2, as well as determine rate design. Actual rates will be set every two years to collect forecasted agency revenue requirements. There is concern that this approach may introduce uncertainty. The development of the rate methodology begins in February 2008; we are determined to get a clear and unambiguous methodology that will produce dependable results over the term of the contract.

Another major aspect of the Regional Dialogue is benefits to the residential and small farm customers of the region's investor owned utilities. This group of customers has benefited from the Residential Exchange through BPA since 1980. A recent Ninth Circuit decision has required BPA to recalculate benefits for this group. BPA begins a separate rate process in December to determine the level of benefits for the Residential Exchange.

We are working hard to get good, predictable, enforceable new power supply contracts and a stable tiered rates methodology on behalf of our members. It is our intention to drive our own future, to have more choice and more control over resource acquisition, and we are working with PNGC Power to make that happen.

Best Regards,

Dave Sabala
General Manager

Visit our Web site at www.douglaselectric.com

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