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JOHN GERSTENBERGER, Manager

December 27, 2016

Paul Rossow, Utility Analyst  
Oregon Public Utility Commission  
PO Box 1088  
Salem OR 97308-1088

RE: Avoided Cost Filing

The Hood River Electric Cooperative currently purchases all wholesale power required to serve our membership from the Bonneville Power Administration.

HREC signed a 20-year 'Regional Dialog' contract with BPA committing to remain a 'load following' customer of BPA for at least the next 12 years. Under the contract, BPA allocates the output of the Federal Columbia River Power System to its preference customers and sells it at the cost of production (including fish and wildlife mitigation costs, benefits to IOU customers, etc.). It is my understanding the allocation is based on actual utility loads for the 2010 BPA operating year. If a customer's load exceeds the allocation, the utility must acquire sufficient resources from BPA or another source to cover utility load. Current BPA load forecasts suggest HREC's load growth can be served via BPA's Load Shaping Charge and Load Growth Tier 2 product for several years into the future. BPA forecasts that HREC will pay a Load Shaping Charge in some months and receive a Load Shaping Credit in others. The Load Shaping Charge for the next BPA rate period is not established at this time but early indications suggest it will be in the range from \$20.55 to \$34.35 per MWH in 'High Load Hours' and from \$10.02 to \$29.41 per MWH in 'Light Load Hours'. The Cooperative will purchase Tier 2 power from BPA beginning in October 2017 through September 2019 under their 'Load Growth' rate at \$48.90 \$/MWH. These figures represent our best estimate of 'Avoided Costs' at this time. BPA's rates are published on their web site at [www.bpa.gov](http://www.bpa.gov).

Please feel free to contact me by e-mail at [hrec@hrec.coop](mailto:hrec@hrec.coop) if you have any questions or need additional information.

Sincerely,

A handwritten signature in black ink that reads "John Gerstenberger". The signature is written in a cursive, flowing style.

John Gerstenberger  
Manager