



January 6, 2017

Paul Rossow
Utility Analyst
Electric & Natural Gas Division
Oregon Public Utility Commission
PO Box 2148
Salem, OR 97308

Dear Paul,

Pursuant to OAR 860-29080(2), I am filing avoided cost information on behalf of the members of Oregon Municipal Electric Utilities Association (OMEU). A list of the OMEU members and individual contact information is attached.

Under current contracts, OMEU members as public agencies primarily buy all of their wholesale power requirements for load growth from BPA at the Priority Firm (PF) rate in accordance with Section 5(b)(1) of the Northwest Power Act. These purchases are made at Tier 1 rates, the BPA Load Shaping rate, or one of BPA's Tier 2 rates (either at the Load Growth or Short Term rate).

BPA and OMEU member utilities all signed 20 year Load Following contracts that took effect on October 1, 2011 and end on September 30, 2028. These contracts confer the ability to purchase an established amount of power at an embedded cost rate (Tier 1) and a Load Growth or Short Term Tier 2 Rate for those publicly owned utilities that contract with BPA to meet their wholesale power needs. All of the OMEU member utilities will meet more than 95% of their loads at the Tier 1 rate for the first few years of the contract. The timing, shape, and magnitude of any Tier 2 price exposure for load growth varies from utility to utility, however all OMEU utilities have committed to purchase the balance of their above high water mark (load growth) requirements with BPA purchases at the BPA Load Shaping rate or

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at one of the take-or-pay BPA Tier 2 rates for at least the first eight years of the new contract (through 2019). The High Water Mark is essentially a set apportionment for each BPA customer of cost based power from the federal system. For details on the BPA Tiered Rate Methodology, please visit BPA's website at:

<http://www.bpa.gov/Finance/RateInformation/Pages/default.aspx>

Avoided costs, or the cost of meeting load growth will vary by utility depending upon the relationship of the utility's load to their High Water Mark. For those OMEU members whose load is below their High Water Mark, load growth will be met at the Tier 1 rate and the current average Tier 1 rate of 34.37 mills/kWh which remains in effect through September 30, 2017. For those OMEU members whose loads are above their High Water Mark, load growth will be met at an average Tier 2 rate of 30.87 mills/kWh for FY16-17 which also remains in effect through September 30, 2017. Any load growth that occurs but that was not forecast prior to the rate case will be met at the Load Shaping rate. The average Load Shaping rate of 25.37 mills/kWh remains in effect through September 30, 2017. It is important to note that the BPA FY 2018 and FY 2019 rates are currently being discussed in a rate proceeding at BPA and will not be final until July of 2017 when they go to FERC for final approval. The final BPA rates will succeed the currently filed avoided cost rates. For information on BPA's proposed power rates for Tier 1, Tier 2 and Load Shaping charges the Initial Proposal can be accessed here:

<http://www.bpa.gov/Finance/RateCases/BP-16/Pages/default.aspx>

We will update this contract and rate information in future filings.

If you have any questions regarding this information, please call me or the individual utilities listed in Attachment A.

Sincerely,



Beth Vargas Duncan
Executive Director
Oregon Municipal Electric Utilities Association