

January 25, 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 Columbia Rural Electric Association (CREA).

Under current contracts, CREA buys 95% 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. Additional power needs are purchased from the City of Walla Walla hydro on a ten year contract basis, BPA Tier II market purchases as well as an amount purchased through Northwest Energy Supply Cooperative, a group of Cooperatives.

BPA and CREA signed 20 year Load Following contracts that took effect on October 1, 2011. These contracts confer the ability to purchase an established amount of power at an embedded cost rate (Tier 1). CREA also has contracts with NESC and City of Walla Walla to meet their above Tier I wholesale power needs. CREA will meet more than 95% of their loads at the Tier 1 rate in years that power sales are lower than what would be considered a normal years. The timing, shape, and magnitude of any above HWM price exposure for load growth varies from year to year, however CREA has committed to purchase the balance of their above high water mark (load growth) requirements with NESC purchases at a take-or-pay rate for at least the first five years of the new contract (through 2019) as well as a ten year take or pay contract with the City of Walla Walla (though 2023). 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 year depending upon the relationship of the utility's load to their High Water Mark. For CREA load that is below the High Water Mark, the load will be met at the Tier 1 rate of 35 mills per kWh. For

CREA load above the High Water Mark, load growth will be met at the average Tier 2 rate for the following years, FY2017 (\$43.87), FY2018 (\$46.92), FY2019 (\$50.33). These rates are currently being discussed in a rate proceeding at BPA and will not be set until July of 2017 when they go to FERC for final approval.

Sincerely,

James E. Cooper  
Manager of Finance