



CENTRAL ELECTRIC COOPERATIVE, INC.

President's Quarterly Newsletter

October 2007

Dear Member:

By October 1, 2011, Bonneville Power Administration hopes to have executed power supply contracts with its 148 public and private utility customers, including Central Electric Cooperative. We have been engaged in what is euphemistically called the "Regional Dialogue" by which BPA is negotiating power supply and rates.

To say this Regional Dialogue is important to you, our members, is an understatement. CEC depends on BPA for virtually all of the energy we provide our members. So while supplying our members with reliable, low-cost energy today and tomorrow is our first priority, long term planning for your energy needs the next 15 or 20 years is a close second.

BPA's current power supply contracts with its public and private utility customers, including CEC, expire in 2011. With that 2011 deadline in mind, CEC got involved in the Regional Dialogue two years ago. We are using it as a way to plan for our power supply and load growth here in dynamic Central Oregon, consistently one of the fastest growing regions of the Pacific Northwest.

The Regional Dialogue process will form the basis for new contracts that are expected to be in place by Oct. 1, 2011, and to be effective for a period of 17 years. We are studying power supply products and split-rate pricing mechanisms, referred to as Tier 1 and Tier 2, that retain the benefits of the existing federal system but allow us flexibility in meeting our own load growth.

The next big milepost in the Regional Dialogue will be February 2008 when BPA will begin development of a power rate methodology. We are concerned about power supply reliability at the lowest possible cost for our members. We will remain on guard against any proposal that introduces uncertainty into the process. This is a complicated subject but one in which our members have a vital stake.

In the next couple of newsletters, I will describe CEC's involvement in the Regional Dialogue on our members' behalf. We have options and opportunities in this important process that I look forward to sharing with you.

Sincerely,



Dave Markham
President/CEO