



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

March 24, 2008

In reply refer to: DK-7

Dear Customers:

A year ago, I reported to you on the progress of the Enterprise Process Improvement Program (EPIP), the Bonneville Power Administration's (BPA's) largest effort ever to improve our internal systems and processes so as to deliver greater value to the Pacific Northwest.

This year's progress report is simple. EPIP is working. It has produced a total of \$112.4 million in reduced capital and expenses in Fiscal Year (FY) 2006 and FY 2007. Further savings can be expected as the EPIP projects are fully implemented. Two of our nine EPIP projects are complete, and the remaining seven are well into implementation, which is the most significant and crucial stage for achieving sustainable savings. We have moved more slowly than we would have liked in some areas, but have made solid progress and remain committed to seeing all the EPIP projects across the finish line.

As we have realized business process efficiencies through EPIP, we have been able to redeploy resources to meet emerging business requirements. With continued focus on process improvement, we expect to be able to focus agency efforts effectively to meet these new challenges. Among the new business demands are increasing regulatory requirements from the Western Electric Coordinating Council (WECC) and North American Electric Reliability Corporation (NERC), Federal Energy Regulatory Commission (FERC) Order 890 implications for transmission planning and operations, and security and emergency management requirements. We are also seeing additional business impacts in our efforts to address integration of wind resources into the grid, third-party financing of transmission projects through a master lease approach, Biological Opinion requirements, and climate change initiatives.

We launched the EPIP effort in 2004 in response to your concerns about our ability to manage costs through more effective systems and processes. Since then, we have consolidated redundant service functions into single agency work groups and have focused the resulting "One BPA" on operational excellence. The enclosed update describes our progress to date on the nine EPIP projects.

I greatly appreciate the continued interest of our customers as BPA pursues efficiency improvements. As we finish each EPIP, we move from process improvement as a project to continuous improvement as a way of doing business. We will always seek to increase our operational excellence to prove ourselves to you as a trustworthy steward of the Federal Columbia River Power System.

Sincerely,

/s/ Stephen J. Wright *March 24, 2008*

Stephen J. Wright
Administrator and Chief Executive Officer