



## Department of Energy

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

EXECUTIVE OFFICE

November 14, 2003

In reply refer to: PL-6

<Addressed to all Sounding Board members>

Dear <Sounding Board member>:

On October 21, 2003, I signed a proposed settlement agreement that sets aside potentially contentious litigation regarding Bonneville Power Administration's (BPA) power subscription contracts and policies. Two days later, PacifiCorp, Avista, and Vera Water and Power also signed the same settlement, which kicked off a 120-day review and approval process. If successful, this settlement could provide the region with about a 10 percent rate reduction for fiscal year 2004. This effort has the strong support of the region's four Governors and the Congressional delegation because of the importance of lower electricity prices to the economic recovery of the Pacific Northwest.

BPA committed in the settlement to targeting approximately \$100 million in power revenue improvements or cost reductions for fiscal years 2004 and 2005 that should, all else being equal, lead to a zero Safety Net Cost Recovery Adjustment Clause (CRAC) in FY 2005. We also committed to attempt to achieve this target through an open and collaborative process. Absent the settlement and its \$469 million of cost reductions and deferrals, however, achieving a zero Safety Net CRAC in FY 2005 is highly unlikely.

Your participation in the Power Net Revenue Improvement Sounding Board would be helpful. The members of this Sounding Board will suggest cost reductions and revenue improvements. To fit the schedule for the FY 2005 Safety Net CRAC decision, we are planning an aggressive schedule of several meetings between now and June 2004. The Sounding Board members will establish a process to define the revenue improvements and cost reductions by January 21, 2004, as stated in the settlement. It would be helpful if the members were to make progress toward suggestions on potential cost/revenue categories for examination by that time as well.

Our challenge is considerable: Find revenue improvements and cost reductions that impact power rates and do not impair our ability to continue to provide the citizens of the Pacific Northwest with reliable, environmentally friendly power at the lowest reasonable cost. This will be even more of a challenge given the intensive and successful search for cost reductions in power programs over the last 2 years that has resulted in savings of nearly \$300 million for fiscal years 2003-2006. As background, an overview of our current power revenue and cost

information based on the August 28, 2003, Safety Net CRAC workshop can be found at [www.bpa.gov/power/pl/pnrisb/11-21-2003\\_Mtg\\_Handout1.pdf](http://www.bpa.gov/power/pl/pnrisb/11-21-2003_Mtg_Handout1.pdf).

The Sounding Board members will explore the full range of BPA's revenues and cost categories. However, every category of BPA revenues and costs--from renewable resource investments to hydro operations to copier paper purchases--has an existing decision process. The Board members are not creating a new decision process, but will help ensure that we are exploring the full range of views on the most fruitful sources of revenue improvements and cost reductions. Along the way, those individuals inside and outside BPA who are responsible for decisions in these categories will provide information regarding them. BPA will consider the suggestions of the Sounding Board members and, for that matter, any interested party, along with all other net revenue changes, in making the Safety Net CRAC decision in August 2004.

The Power Business Line Senior Vice President, Paul Norman, will chair the Sounding Board, and I expect to attend at key points as well. Participation by representatives of the region's environmental community, customers, and tribal groups in this Sounding Board will best assure substantial, workable suggestions. In addition, we are working with governors' representatives, including the Chair of the Northwest Power and Conservation Council, regarding their participation.

To satisfy the need to convene discussions within 30 days of the initial settlement signatures, an initial organizational meeting will be held on Friday, November 21, 2003, in room 606 at BPA headquarters in Portland, from 9:30-11 a.m. I regret the short notice for this meeting. If you cannot attend in person, please call Dianna Auman at 503-230-4600 to be connected to a telephone bridge.

I look forward to your participation in the Power Net Revenue Improvement Sounding Board. Your views are important to the Sounding Board's success as we work together to provide the citizens of the Pacific Northwest with reliable, environmentally friendly power at the lowest reasonable cost.

Sincerely,

*/s/ Stephen J. Wright*

Stephen J. Wright  
Administrator and Chief Executive Officer