



Department of Energy

Bonneville Power Administration
P.O. Box 3621
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In reply refer to: F-2

To Customers, Constituents, Tribes and Other Stakeholders:

To those who provided comments on this spring's Capital Investment Review (CIR), I extend my appreciation for your thoughtful consideration of the material presented. The CIR was Bonneville Power Administration's (BPA) first effort to engage the region in an in-depth discussion of BPA's strategic long-term capital planning. Based on your response, we intend to continue to provide this process every two years before the start of the Integrated Program Review (IPR).

Many of you commented on capital prioritization. We heard strong support for BPA's initial efforts to prioritize capital spending across the asset categories and for further development of the methodology. We are using those comments as we work aggressively to develop a draft prioritization framework to be shared at a public workshop in August or September.

Access to capital and the many tools that provide capital funding received numerous comments. BPA intends to hold a workshop in July on BPA's progress in assessing and expanding the available financing tools. We continue to assess our ability to increase the use of lease financing, to establish a "prepay program" and to re-establish third-party financing for conservation while we evaluate other possible tools.

Because many CIR participants shared that they cannot provide informed comments on capital levels until they better understand the state of our access to capital funding sources, we will not attempt to reflect your comments on capital levels in the initial IPR materials. Rather we will present the depreciation and interest impacts of the base and alternate capital levels provided in the CIR for FY 2013-2015. As we provide more access to capital analysis during the summer, we expect stakeholders will develop a better understanding of BPA's capacity to fund the proposed capital levels, and we will likely get more informed and specific comments than we have received to date. We can then be informed by both the comments received during the CIR as well as during the IPR as we consider the capital investment levels to establish for FY 2013-2015.

As CIR participants have pointed out, as we close out the IPR at the end of summer we will not yet have the benefit of a good assessment of potential customer participation in the prepay program. We expect that assessment in the fall. We will also not have the benefit of a fully developed agency prioritization methodology. So as we make a determination on capital

investment levels at the end of the IPR, we may view that determination as preliminary, to be re-considered as we learn more about the prepay program participation. This could result in final decisions on FY 2014-2015 capital investment levels being determined in a subsequent “IPR2” process in spring of 2013.

The IPR workshops will further engage participants on some specific questions raised in the CIR. Those questions were about investments in the Keys pump/generation plant, Energy Efficiency spending levels and Transmission investments used to integrate wind.

Again, thank you for your comments thus far in our early discussions. I encourage your continued participation this summer in the IPR and access to capital discussions.

Sincerely,

/Claudia R. Andrews/

Claudia R. Andrews
Executive Vice President and Chief Financial Officer