



Department of Energy

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

POWER BUSINESS LINE

September 25, 2002

In reply refer to: PSP

To Rate Case Parties and Customers:

The fiscal year 2002, Third Quarter Financial Review results indicate that the forecast of end-of-year Accumulated Net Revenues (ANR) in the generation function is negative \$637 million. This is below the trigger of negative \$408 million for the Financial-Based Cost Recovery Adjustment Clause (FB CRAC) for fiscal year 2002. According to Bonneville Power Administration's (BPA's) General Rate Schedule Provisions (GRSPs) this will trigger an FY 2002 FB CRAC adjustment for rates in FY 2003. The FB CRAC will trigger at the maximum recoverable amount of \$135 million as defined in the GRSPs, which translates to an increase in rates of 10.97% above the base rates established in May of 2000. The actual amount recovered will be about \$100 million because of adjustments due to Slice.

When the FB CRAC goes into effect on October 1, 2002, BPA total rates will be 43.9% above the base rates for non-Slice sales, which is about the same as the average total rates for fiscal year 2002. This is because the Load-Based Cost Recovery Adjustment Clause (LB CRAC) is being reduced on October 1, 2002 from its current level of about 41% to a level of 32.94%. The FB CRAC adjustment will remain in effect from October 1, 2002, through September 30, 2003. The LB CRAC adjustment remains in effect only six months from October 1 through March 2003, at which time the LB CRAC will be re-calculated. Because of the limit on the size of the FB CRAC and BPA's current financial difficulties, BPA may need to initiate the Safety-Net Cost Recovery Adjustment Clause (SN CRAC) process that may result in a further rate adjustment.

BPA accepted public comments regarding the FB CRAC rate adjustment through September 13, 2002. Two comments were offered at the public forum/workshop on September 4th and one additional comment was received on September 12, 2002. Based on comments received, BPA adjusted the FB CRAC from the originally estimated percentage of 11.24% to 10.97%. The calculation of the FB CRAC adjustment and the resulting total rates applicable to each rate schedule and a response to comments are enclosed and can also be accessed at <http://www.bpa.gov/power/rates/>.

Sincerely,

/s/ Byron G. Keep

Byron G. Keep
Manager for Power Products,
Pricing and Rates

3 Enclosures