



## Department of Energy

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

FINANCE

March 6, 2009

In reply refer to: F-2

To Interested Parties in the Region:

We would like to invite you to a discussion with Administrator Steve Wright and other Bonneville Power Administration (BPA) executives regarding the tools available to keep BPA's FY 2010-2011 power rates as low as possible consistent with meeting our other key objectives. This meeting is targeted specifically to individuals at the policy level, such as customer and constituent general managers and executive directors.

This meeting is the kickoff to the second round of the Integrated Program Review (IPR-2). Given the current circumstances, BPA is expanding the scope of IPR-2 to include discussion of risk mitigation and liquidity tools in addition to program level costs. Since the IPR, the global financial market crisis and the state of the U.S. economy have continued to deteriorate. At the same time, BPA's financial situation is declining due to continuing poor hydro conditions and low power market prices, putting upward pressure on our FY 2010-2011 power rate proposal. As a result, in the power rate case process, customers have asked to collaborate with BPA in the search for ways to limit the increase in power rates for FY 2010-2011. These collaborative discussions among BPA staff and customer representatives started the last week in February and will continue as time allows. The March 18 meeting will be an opportunity to update a broader group on these collaborative efforts and to seek input at a policy level on where efforts should be focused.

Though risk mitigation issues are subjects in the power rate case and will be decided in that process, BPA believes it makes sense in these unprecedented economic circumstances to broaden the IPR-2 discussion to more fully consider the tradeoffs in these areas. We understand that topics of particular interest include the use of Agency reserves, the new Treasury agreement, the Flexible PF Rate Program, and BPA's long-standing Treasury Payment Probability standard. If there are other topics you would like to discuss, please let us know ahead of time so that we can be prepared to discuss them.

As background, please recall that, in November 2008, the BPA concluded an extensive public process, known as the Integrated Program Review (IPR), in which the agency presented its proposed spending levels for FYs 2010-2011 for Power, Transmission, and Agency Services for review and comment. During this process BPA received valuable input on our proposed spending levels and policy choices. We also committed to conduct a second, shorter public review of the FY 2010-2011 costs, the results of which would be incorporated into the final rate calculations.

Please join us on March 18, 2009, from 1 p.m. to 5 p.m. in the Rates Hearing Room, located at 911 NE 11<sup>th</sup> Avenue, Portland, Oregon. The agenda will be posted to the Power Rates Web site at [www.bpa.gov/corporate/Finance/IBR/IPR/](http://www.bpa.gov/corporate/Finance/IBR/IPR/). Please call Suzanne Lawrence at (503) 230-3320 if you would like to participate by phone. Contact Valerie Lefler at (503) 230-3521 if you have other questions about this process.

We look forward to your participation and feedback in this process.

Sincerely,

*/s/ David J. Armstrong*

David J. Armstrong  
Executive Vice President and  
Chief Financial Officer

*/s/ Paul E. Norman*

Paul E. Norman  
Senior Vice President  
Power Service