



Department of Energy

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

Power Services

February 8, 2008

In reply refer to: PFR-6

To People Interested in BPA's 2007 Supplemental Rate Case:

On February 8, 2008, the Bonneville Power Administration will kick off its FY 2007 Supplemental Wholesale Power Rate Adjustment Proceeding (WP-07 Supplemental Proceeding). BPA is holding this supplemental proceeding in order to respond to recent rulings by the U.S. Court of Appeals for the Ninth Circuit regarding BPA's 2000 Residential Exchange Program (REP) Settlement Agreements and the allocation of their costs to consumer-owned utilities. This proceeding will result in revised power rates for FY 2009, account for overpayments made under the REP Settlement Agreements, and establish a rate used to renew the implementation of the REP under the Northwest Power Act.

BPA's WP-07 Supplemental Proposal is the start of a formal process to accomplish the foregoing objectives. There are many ways to respond to the Court's rulings, and BPA is proposing one of those ways; one that we believe is technically and legally defensible. BPA would like to emphasize, however, that it looks forward to the alternatives that parties bring forward during this process. These alternatives, as well as other information made available through this process, will inform the BPA Administrator when he makes final decisions in the summer of 2008. BPA plans to release its WP-07 Supplemental Proposal and supporting documents on February 19, 2008. All documents, including the February 8, 2008, Federal Register Notice can be found after release at: www.bpa.gov/corporate/ratecase

A rate case is a legal proceeding, and BPA is required to follow procedures set out in section 7(i) of the Northwest Power Act of 1980. The rules of this process prevent BPA from holding private discussions about substantive rate case matters through the duration of the process. All discussions relative to alternative approaches must be conducted in noticed meetings that are open to all rate case parties. The formal 7(i) proceeding will lead to a draft record of decision (ROD), which is expected to be released about July 16, 2008. A final ROD, expected to be issued about a month later, will end the formal rate case. The final ROD, along with the complete 7(i) record, will be filed with the Federal Energy Regulatory Commission (FERC) for confirmation and approval, with the goal being to receive interim approval of the revised FY 2009 rates in time to go into effect on October 1, 2008.

This WP-07 Supplemental Proceeding, in combination with a concurrent process that will lead to a revised Average System Cost Methodology (ASCM), will establish the foundation for implementing the traditional REP for FY 2009-2028 as part of BPA's suite of 20-year Regional Dialogue contracts.

Field Hearings

BPA is hosting field hearings in order for the public to learn more about BPA's Supplemental Proposal and to provide the public with the opportunity to ask questions and provide comments. The comments we receive at these field hearings are an important part of the record. These hearings are the main opportunity for those not participating in the Supplement Proceeding as official parties to share with us their thoughts and concerns about the supplemental proposal. The field hearings will be presided over by the hearing officer conducting the rate case.

Each hearing will include a brief summary of the Supplemental Proposal and an opportunity to ask questions of BPA representatives and to provide formal comments for the official rate case record. All meetings will begin at 6:30 p.m. The hearings are scheduled for:

Tuesday, March 18, 2008
 Red Lion at the Park
 303 W. North River Drive
 Spokane WA 99201
 (509) 328-7361

Thursday, March 20, 2008
 Doubletree Hotel – St. Helens Room
 1000 NE Multnomah St.
 Portland OR 97232
 (503) 281-6111

To People Interested in BPA's 2008 Average System Cost Methodology (ASCM) Consultation Proceeding:

On February 7, 2008, the Bonneville Power Administration (BPA) will kick off its Proposed Methodology for Determining the Average System Cost of Resources for Electric Utilities Participating in the Residential Exchange Program Established by Section 5(c)(4) of the Pacific Northwest Electric Power Planning and Conservation Act (2008 Average System Cost Methodology (ASCM) Consultation) process. This public process will result in a revised ASCM which will be used to determine ASCs that will be used in developing revised power rates for FY 2009.

The ASCM Consultation process will start on February 7, 2008, with a formal request for comments. The close of comment period is May 2, 2008. With the issuance of this proposal, BPA welcomes different approaches, new ideas and other types of feedback from interested parties. This proposal was developed with guidance from public workshops and is meant to provide a foundation that will facilitate further ideas and approaches. Workshops will be held throughout the comment period to address key issues and explore different approaches to the ASCM. A draft ROD is planned to be issued around May 2008. A final ROD issued around June 2008 and then filed with FERC for approval.

It is important to note that utilities interested in exchanging under the Residential Exchange Program in FY 2009 will need to send BPA a Notice of Intent to participate by February 22, 2008. Please make these submissions to the following e-mail address:

BPAAverageSystemCost@bpa.gov. BPA will hold an expedited process in which utilities interested in participating in the FY 2009 REP will have the opportunity to establish their FY 2009 Average System Cost (ASC). If a utility does not provide BPA with a Notice of Intent or does not have an ASC established through this process it will not receive REP benefits in FY 2009.

All documents, including the Federal Register Notice, a schedule of the ASCM Consultation, and the FY 2009 Expedited Process will be posted by February 8, 2008, at:
www.bpa.gov/corporate/finance/ascm

How to Comment on BPA's 2007 Supplemental Rate Case

You may provide written comments on BPA's power rate proposal until **May 5, 2008**. These comments can be made on-line at BPA's website at www.bpa.gov/comment or through the mail at BPA Communications, DKE-7, P.O. Box 14428, Portland, OR 97293-4428. Please identify written or electronic comments as "WP-07 Supplemental Proceeding."

How to Comment on BPA's Average System Cost Methodology

Interested members of the public may make written comments between February 7, 2008, and May 2, 2008. Written comments may be made as follows: online at BPA's website: www.bpa.gov/comment, by mail to: BPA Public Affairs, DKE-7, P.O. Box 14428, Portland, OR, 97293-4428, or by facsimile to 503-230-3285. Please identify written or electronic comments as "2008 ASC Methodology."

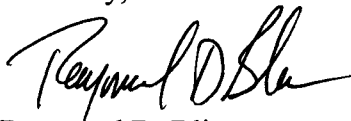
For more information

For further information about the rate case, please refer to the material available on the BPA website: www.bpa.gov/corporate/ratecase

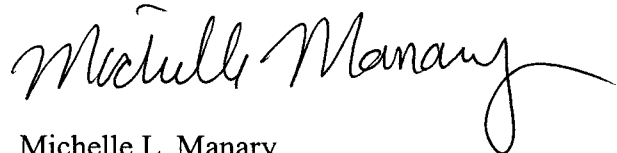
For further information about the Average System Cost Methodology Consultation, please refer to the material available on the BPA website: www.bpa.gov/corporate/finance/ascm

If you have questions or want more information on the WP-07 Supplemental Proceeding or the Average System Cost Methodology Consultation, please call us toll free at (800) 622-4519.

Sincerely,



Raymond D. Bliven
Power Rates Manager



Michelle L. Manary
Residential Exchange Program Manager