



## Department of Energy

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

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In reply refer to: DKC-7

### **To: Parties Interested in BPA's 2007-2009 Power Rate Case:**

The news is very good at the Bonneville Power Administration. We entered our new fiscal year on October 1 with power rates, both Slice and non-Slice, that are, on average, 3 percent lower than they were last year. This is the fourth year in a row we have reduced our power rates. We are also completing our yearly payment to the U.S. Treasury (about \$1 billion this year) in full and on time for the 23rd year in a row.

The September 13 rates workshop confirmed what we expected in July when I last wrote you—while the power rate design allows for upward adjustments of rates under certain circumstances, we do not expect to adjust the power rates in FY 2007. We could not confirm that expectation until we knew the extent of customer participation in the Flexible PF Rate Program, an innovative program developed during the rate case. Participation was exceptional, which allowed us to follow through on the 3 percent rate decrease for FY 2007.

I want to reiterate what I said in my July letter—these results are a direct outcome of the collaboration between BPA, Energy Northwest, customers and other rate case parties. That cooperation began even before the rate case started when all the interested parties came together in the Power Function Review to find ways for BPA to reduce costs. It continued as BPA and the parties worked together to develop innovative risk and financial management programs, including the Flexible PF Rate Program and the program to directly pay Energy Northwest's operating and debt expenses. These efforts, along with the first average water year in seven years, played a significant role in making it possible for the Agency to reduce its power rates once again.

As always, the Agency's rates are subject to review by the Federal Energy Regulatory Commission, but we have interim approval for the new rates and expect final approval in a few months.

As the Agency moves to implement its new, lower power rates, I want once more to acknowledge the contributions of Energy Northwest, rate case parties and our customers. These rates would not have been possible without their hard work and collaborative participation in the rate case.

Sincerely,

*/s/ Stephen J. Wright*

Stephen J. Wright  
BPA Administrator and Chief Executive Officer