



Department of Energy

Bonneville Power Administration
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POWER BUSINESS LINE

June 2, 2006

In reply refer to: PFR-6

To People Interested in BPA's 2007-2009 Wholesale Power Rate Case:

The BPA administrator issued the draft Record of Decision (ROD) for the 2007 Wholesale Power Rate Adjustment Proceeding on June 2, 2006. The draft ROD is available on the BPA's Web site at www.bpa.gov/power/rates. This represents a major milestone in the rate setting process and is the result of efforts from all rate case parties.

The release of the draft ROD is a step in the formal 7(i) rate-setting process and therefore only rate case parties can respond to its content. The draft ROD does not contain any rate levels. The purpose of the draft ROD is to describe the administrator's draft decisions, including a full and complete justification for those decisions. In about two weeks, rate case parties will file briefs on exception on the draft decisions presented in the draft ROD. BPA will then carefully review all briefs on exception received and address them in the final ROD. Since the release of the initial rate proposal there has been a good deal of collaborative effort that has shaped the decisions that are outlined in this draft ROD and the briefs on exception will provide rate case parties with one last opportunity to influence the final rate decisions.

Background

On November 8, 2005, the Bonneville Power Administration kicked off its 2007 wholesale power rate case with a notice in the Federal Register. BPA then hosted six field hearings in order for the public to learn more about BPA's initial rate proposal and to provide the public with the opportunity to ask questions and provide comments. Between the field hearings and the public comment period that ended on February 13, 2006, BPA received a total of nine comments on the initial proposal and three comments on the supplemental proposal that was needed to address a couple of additional issues. These comments are available for your review in full at: http://www.bpa.gov/corporate/public_affairs/Comment_Listings/. The draft ROD includes a discussion of the participant comments BPA received during the public comment period.

Final ROD

Final rates will be available when the final ROD and rate case studies are released in early July 2006. The final ROD will describe the administrator's final decisions on the rate case issues. The final studies support and contain the rate schedules. These include the base rates that do not change over the rate period. Based on the draft ROD, we expect the rate design will feature a variable rate structure that allows the base rates to stay the same, or be adjusted upward or downward each year based on actual financial performance. In addition, in some specific circumstances, additional costs associated with the Federal Columbia River Power System 2004 biological opinion remand process could be collected through adjusting power rates upward.

The final ROD will end the formal rate proceeding. The complete 7(i) record will be filed with the Federal Energy Regulatory Commission by August 1, 2006 for the Commission's review and approval. Approval from FERC is expected in late September and rates will go into effect October 1, 2006.

Next Steps

Rate case parties have about two weeks in which to file briefs on exception on the draft ROD that present their final arguments for why BPA should take different positions on the issues or to point out errors in any of BPA's explanations and analyses. This is all part of the process to create a complete administrative record. The BPA administrator must make his final decision based on that record. FERC will also use that record to determine if BPA's final rates are adequate to cover the agency's costs. Any legal appeals will also be based on whether the final policy decision is supported by the record.

BPA conducted a workshop for rate case and other interested parties concurrent with the release of the draft ROD on June 2, 2006. The workshop covered topics including the proposed change in the liquidity reserve level due to direct pay, choices regarding the Cost Recovery Adjustment Clause (CRAC) and the Dividend Distribution Clause (DDC) thresholds, the current thinking on hydro operation assumptions for FY 2007-2009 and the power bill liquidity program.

In addition, by August, BPA will notify customers if it anticipates either a CRAC or DDC beginning the following October. In early September, BPA will conduct a workshop to explain any proposed CRAC or DDC calculations. Notification of the final decisions and the actual power rates in FY 2007 will be posted by September 30.

For more information

For further information about the rate case, please refer to the rate case Web site at www.bpa.gov/power/rates. If you have questions or want more information on this rate case, please call us toll free at (800) 622-4519.

Sincerely,

/s/ Raymond Bliven

Raymond Bliven
Power Rates Manager