



Department of Energy

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

POWER BUSINESS LINE

April 4, 2006

In reply refer to: PFF-6

To Parties Interested in Power Function Review II:

Bonneville Power Administration has issued a draft closeout report to the Power Function Review II for your review and comment. This process kicked off in January as a continuation to the Power Function Review held early in 2005. The goal of this continuation is to ensure that the cost levels used in setting BPA's power rates for fiscal years 2007 – 2009 are as low as possible, consistent with carrying out BPA's mission.

In the past ten weeks, six workshops and a number of smaller meetings have been held to further reexamine each category of BPA's power costs. Areas of particular focus included:

- Conservation and Renewables
- Amortization of conservation investments and fish and wildlife capital
- Internal operations charged to power/EPIP
- Hydro benchmarking
- Columbia river fish mitigation plant in service
- Fish & Wildlife hydro operations effects
- Benefits to direct service industries
- Columbia Generating Station (financial impacts, license extension & generation forecasts)
- Northwest Power and Conservation Council funding level
- Fish & Wildlife research, monitoring and evaluation process
- Credits for reactive power

Numerous suggestions for cost increases and cost decreases were made by participants in the PFR II. After considering these suggestions and the latest available information, BPA is now presenting its preliminary conclusions on the levels of costs to be included in the final rate proposal. BPA is proposing a total of \$29 million in annual cost reductions and \$9 million in annual cost increases, for a net reduction of \$20 million per year for the 2007-2009 rate period. This is in addition to the \$96 million in annual cost reductions identified in the PFR process last year. A description of these additional proposed changes can be found in the enclosed draft closeout report.

The Draft Report also includes an update on non-cost factors that will affect the level of the 2007-2009 power rates.

BPA is seeking your comments on the proposed cost changes described draft closeout report. The comment period is open through April 26, 2006. A Management Discussion to review the draft report is scheduled for April 10, 2006, from 9 a.m. to 3 p.m. in the BPA Rates Hearing

Room, located at 911 NE 11th Ave., Portland, Ore. Comments can be submitted on-line at: <http://www.bpa.gov/comment>, e-mailed to comment@bpa.gov or mailed to: Bonneville Power Administration, Public Affairs Office -DKC-7, P.O. Box 14428, Portland, OR, 97293-4428.

If you have any questions, please contact your Power account executive, constituent account executive, Michelle Manary, manager of the Power Function Review at (503) 230-5858 or me at (503) 230-5399. You can also call us toll free at 1-800-622-4519.

Sincerely,

/s/ Paul E. Norman

Paul E. Norman
Senior Vice President

Enclosure:
[Power Function Review II Draft Closeout Report](#)