



Department of Energy

Bonneville Power Administration
P.O. Box 3621
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POWER BUSINESS LINE

June 1, 2006

In reply refer to: P-6

To Parties Interested in the Power Function Review II:

The Bonneville Power Administration's (BPA) Power Function Review II (PFR II) has concluded with the release of the Power Function Review II Final Closeout Report. This completes a 4-month process to review program expense levels for the fiscal years 2007-2009 power rate period to ensure that those expenses were set as low as possible, consistent with carrying out BPA's mission. The PFR II was the second of two phases in which the public had the opportunity to learn and comment on what costs power rates will cover in FY 2007-2009 and to provide input into program funding levels prior to the rate setting process.

This phase looked at the outstanding issues from the original Power Function Review as well as a number of new issues requested by participants. In all, the PFR II found an additional \$26 million a year in net savings over and above the savings identified in the PFR I. Together, PFR I and PFR II captured a total rate period savings of \$122 million a year. The PFR II savings are outlined in the enclosed report. For the detail in PFR I savings please see the PFR I Final Closeout Report on BPA's website at http://www.bpa.gov/power/pl/review/06-24-2005_final_report.pdf

BPA released its PFR II draft closeout report on April 4 for public comment through April 26. A total of fourteen comments were received during the comment period. These comments are available on the BPA Web site at http://www.bpa.gov/corporate/public_affairs/comment_listings/2006_PFR/.

Both phases of the Power Function Review reflect BPA's commitment to work aggressively to manage to program expense levels throughout the rate period and into the future. The closeout of the PFR II does not signal the end of BPA's work to manage costs. Rather, the process has built the groundwork for continued dialogue with the region on cost management. BPA is committed to keeping the lines of communication open throughout the rate period and into the future. In June 2006 BPA is kicking off its Capital Planning Review public process, which will take an agency-wide look at how capital funds are spent and seek feedback from participants. Additional information on this process will be available in June when public meetings will be held.

We appreciate the many hours spent by participants in PFR II, in meetings and in reviewing material from BPA, and in developing input to us. If you would like additional information please contact your Power Account Executive, Constituent Account Executive; Tribal Account Executive; Michelle Manary, Project Manager, at (503) 230-5858; or me at (503) 230-5399.

Sincerely,

/s/ Paul E. Norman

Paul E. Norman
Senior Vice President

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