



## Department of Energy

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

POWER BUSINESS LINE

December 22, 2005

In reply refer to: P-6

To parties interested in the Power Business Line Power Function Review:

In June 2005, the Bonneville Power Administration Power Business Line concluded an extensive six-month public review process known as the Power Function Review (PFR) that culminated in \$96 million in annual cost reductions for fiscal years 2007-2009. During the PFR we hosted nine technical workshops, five management discussions and five regional public meetings. BPA provided line item detail and programmatic information on expenses that affect power rates and received valuable input on our spending levels and policy choices. We had to close out the PFR process in June to meet the WP-07 power rate initial proposal schedule, but we committed to re-examine costs prior to establishing the final power rate levels.

On Monday, Jan. 23, 2006, BPA will hold a workshop to begin this follow-up process. The agenda for this workshop is as follows:

- Review the drivers of program expenses since the FY 1997-2001 rate period
- Review PFR results used in the WP-07 power rate initial proposal
- Review rate impact analysis: to provide context for the cost review BPA plans to provide information on how specific changes in costs, revenue credits and risk treatment would affect the level of the rate
- Review status of specific PFR follow-up areas (see list below)
  - accomplishments to date
  - current view of savings potential
  - risk of cost increases
- Review cost scenarios: trade-offs and policy decisions that would be required for larger cost reductions
- Discuss priority focus areas for PFR follow-up and next steps

The areas that BPA previously committed to follow up on, and will cover in the fourth agenda item are the following:

- Head-to-head benchmarking of federal hydro project costs against Mid-Columbia and other regional hydro projects.
- Potentially removing the Calpine geothermal project costs from the FY 2009 forecast.
- Examining the possibility of extending Columbia Generating Station debt to the end of the current license period in 2024.
- Providing updates on the Enterprise Process Improvement Project and other internal cost control initiatives.

- Further examining the timing for spill tests on the Snake River in relationship to installation of surface passage technologies such as removable spillway weirs while continuing to ensure that our Endangered Species Act commitments are met.
- Re-examining the recovery period for conservation capital.
- Verifying the proposed reduction of \$1.5 million per year in funding for WECC/NERC.
- Pending legislation with the Spokane Tribe.
- Reviewing the treatment of funds for the Columbia River fish mitigation project as plant-in-service.

Topics covered in this process will not be limited to those listed above. If there is a specific program area that you would like to see covered in this process, please let us know before or at the Jan. 23 workshop.

In the final agenda topic, the group will discuss the topics and timing for additional workshops in February and March. A schedule for these meetings will be made available on the Power Function Review Web site at [www.bpa.gov/power/review](http://www.bpa.gov/power/review) after the Jan. 23 workshop. This follow up process will conclude at the end of April in order to meet final dates for the FY 2007-2009 WP-07 power rate case.

We look forward to seeing you at the kickoff workshop, which will be held Monday, Jan. 23, 2006, from 9 a.m. to 4 p.m., in the BPA Rates Hearing Room, located at 911 NE 11<sup>th</sup> Ave., Portland, Ore. To participate by phone, contact Cynthia Jones at (503) 230-5459.

If you would like more information in the meantime, please contact your Power Business Line Account Executive; Michelle Manary, manager of Power Financial Management at (503) 230-5858; or me at (503) 230-5399.

Sincerely,

/s/ Paul E. Norman

Paul E. Norman  
Senior Vice President  
Power Business Line