



Department of Energy

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

EXECUTIVE OFFICE

October 5, 2000

In reply refer to: PS-6

Dear Customers and Interested Parties:

On August 31, 2000, the Bonneville Power Administration (BPA) announced its intention to amend its proposed power rates currently before the Federal Energy Regulatory Commission. This action was necessary to insure that the probability of BPA making its annual payment to the U.S. Treasury is at acceptable levels through the Fiscal Year 2002-2006 rate period.

During September, BPA met with rate case parties and others in an attempt to reach agreement on needed modifications to the rate proposal. Although all parties demonstrated their commitment to try to reach consensus on an approach to modifying the rate proposal, agreement was not reached. The gap between different views of the parties was too wide to allow agreement on a proposal. Even so, I want to thank everyone who gave so much of their time and creative ideas in the hopes of reaching a settlement.

BPA will now proceed to develop a proposal to amend the FY 2002 Power Rate Case through an amended 7(i) process. The proposal will focus on the Cost Recovery Adjustment Clause (CRAC) and its application. Prior to formally beginning the amended 7(i) process, BPA will give all interested parties an opportunity to provide any additional input on how BPA can meet its financial obligations and maintain an acceptable Treasury Payment Probability (TPP). BPA initially asked for comments by August 24, 2000, but extended this deadline while BPA and parties attempted to reach a settlement. Instructions on how to submit additional comments are included below.

Before outlining the revised schedule for the amended 7(i) process, I want to emphasize BPA's current thinking is still to modify the CRAC to meet its financial obligations and be consistent with the Fish and Wildlife Funding Principles.

In light of the need to conduct an amended rate case process, the schedule presented in BPA's August 31, 2000, letter is no longer applicable. Here is the revised schedule for the amended 7(i) process:

Date	Events/Schedule
October 16	Rate case parties and others provide additional comments for BPA consideration as the amended proposal is being developed.
October 16	<i>Ex parte</i> begins
October 31	Subscription window closes
Week of November 13	Amended proposal published in the Federal Register
May 2001	Final Record of Decision

Any additional comments you wish to submit must be received at BPA by close of business on October 16, 2000, in order to be considered. In addition to comments on the CRAC design, BPA is interested in receiving comments on the three issues that we outlined in the August 31 letter:

- Slice and CRAC: What should be the obligation of Slice customers in those periods when customers purchasing other products are subjected to the CRAC?
- Investor Owned Utilities (IOU) residential customers: Should the financial, as well as the power, component of the IOU settlement proposal be subjected to a CRAC?
- Early subscription signers: Many customers who signed subscription contracts prior to the August 1 suspension announcement expressed their view that subjecting those contracts to any rate revision would be a breach of faith, if not a breach of the contract. How do you think BPA should treat early signers?

Written comments should be sent to:

Bonneville Power Administration
P.O. Box 12999
Portland, Oregon 97212

You may also E-mail your comments to: comment@bpa.gov. Alternatively, you can fax comments to BPA at 503-230-3285.

As we move into the amended 7(i) rate case process, I want again to thank those who worked with BPA in the hopes of reaching a settlement, and to stress BPA's commitment to seek to maintain the balance among the interests of all customer groups.

Sincerely,

Judith A. Johansen
Administrator and Chief Executive Officer