



## Department of Energy

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

FINANCE

APR 25 2008

In reply refer to: F-2

To Customers, Constituents, Tribes and Other Stakeholders:

In an effort to continue and improve Bonneville Power Administration's (BPA's) practice of providing meaningful opportunities to examine, understand, and provide input on the cost projections that will form the basis for upcoming rate cases, BPA will begin a combined agency review in May 2008. The input we receive will be considered by BPA in establishing program costs for the initial FY 2010-2011 Power and Transmission rate proposals, expected to begin this fall, as well as for the final supplemental 2009 Power rate proposal expected this summer.

### **Background**

In response to requests during Regional Dialogue Policy discussions to provide access to clear and transparent financial information and frequent opportunities for meaningful input into BPA cost and program decisions before they are made, BPA decided on a comprehensive regional cost review process. BPA met with several small focus groups to flesh out the process outlined in the Regional Dialogue Policy and Record of Decision.

The basic structure is an over-arching process, which we are calling the Integrated Business Review, with dual tracks to address both program costs and strategy. The two tracks are the Integrated Program Review and the Quarterly Business Review.

### **Integrated Business Review (IBR) (overarching process)**

#### Integrated Program Review (IPR) (every other year prior to each two-year rate case)

This track of the Integrated Business Review is intended to provide an in-depth review prior to spending levels being set for inclusion in rate cases. This process will replace the Capital Planning Review (CPR), Power Function Review (PFR) and Programs in Review (PIR). The IPR will allow interested parties to see all expense and capital costs in the same forum. There will be a concentrated series of workshops every other year (assuming BPA has two-year rate cases as currently planned) to develop the spending levels to be used in BPA's upcoming rate cases.

#### Quarterly Business Review (QBR) (quarterly meetings)

This track of the Integrated Business Review is intended to provide quarterly meetings that focus on BPA's finances with a review of current fiscal year actual financial results compared to financial forecasts such as start-of-year targets. BPA will also report on how actual spending compares to rate case assumptions.

To the extent practicable, this forum will also be used to make customers aware of emerging circumstances that could affect rates. We would expect the quarterly meetings to begin in November 2008, after the first IPR.

### **Plan for the Integrated Program Review**

BPA will begin IPR workshops in mid-May 2008. The IPR will consist of a series of technical and managerial workshops covering the major program spending categories for the Power, Transmission and Corporate business units, with a subsequent comment period. The first workshop will provide an overview of the agency expense forecasts including the major Power and Transmission program expenses for FY 2009, 2010 and 2011, the capital forecasts through 2014, and the drivers of those forecasts. BPA will consider the input received prior to making decisions on program costs. The resulting program levels will be included in the Supplemental FY 2009 Final Power Rate Proposal this summer, as well as for the Power and Transmission rate cases for FY 2010-2011, which are expected to begin this fall.

Technical workshops will focus on informing interested persons by providing detailed, technical information on BPA's program areas, including proposed spending levels and the drivers of those costs. The workshops will be led by subject matter experts from BPA as well as our partner organizations such as Corps of Engineers, Bureaus of Reclamation and Energy Northwest. The managerial workshops will address the same program areas as the technical workshops but at a strategic and policy level.

### **Public Comment Period**

The IPR will include a public comment period for program funding levels. The comment period opens May 15, 2008, but the close of comment period is different for the two cost categories. For comments related to forecasts for FY 2009 for use in the on-going supplemental Power rate case, the comment period will close June 19, 2008. For comments related to the forecasts for the 2010-2011 rate period, the comment period will close August 15, 2008. Comments can be submitted at any of the above meetings or submitted in writing to Bonneville Power Administration, P.O. Box 14428, Portland, OR 97293-4428, sent via email to [comment@bpa.gov](mailto:comment@bpa.gov), or faxed to (503) 230-3285.

Following the close of each comment period, BPA will issue letters to the region summarizing comments received, as well as BPA and other agency responses to the comments. The letters also will include proposed program funding levels for the FY 2009 supplemental Power rate case and the FY 2010-2011 Power and Transmission rate case.

Some components that contribute to the program funding levels to be discussed in the IPR will be summarized in the close-out letter but will be finalized in rate cases.

If you have questions concerning the IPR, please contact the IPR project manager Valerie Lefler at (503) 230-3521, or your Power or Transmission Customer Account Executive, Tribal Account Executive, or Constituent Account Executive.

I look forward to your participation in this upcoming process. Enclosed is a complete schedule of IPR technical workshops, management discussions and public meetings. This information will also be posted on the BPA's external Web site at <http://www.bpa.gov/corporate/Finance/ibr/>.

Sincerely,

A handwritten signature in black ink that reads "David J. Armstrong". The signature is written in a cursive style with a long horizontal stroke extending to the right.

David J. Armstrong  
Executive Vice President and Chief Financial Officer

Enclosure