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February 8, 2005

## MEMORANDUM

**TO:** Council Members

**FROM:** Dick Watson, Doug Marker

**SUBJECT:** Bonneville's Power Function Review

The Power Function Review (PFR) is the process whereby Bonneville "provide(s) interested parties opportunities to examine, understand and provide input on the cost projections that will form the basis for the FY 2007 wholesale power (WP-07) rate case. Input we (Bonneville) receive will be considered in establishing program costs for the WP-07 rate case initial proposal, which is expected in the fall of 2005."<sup>1</sup> The WP-07 rate case will establish the rates that will be in effect from October 2006 through September 2009. This process is important in that it is the one shot that external parties get at Bonneville's cost assumptions going into the rate case. Unlike most rate cases with which you might be familiar, Bonneville's does not address the underlying costs. It is limited to other factors that affect rates. These include projected loads and resource requirements; revenue credits (for example, secondary sales revenues), levels of financial reserves and treasury payment probability; rate design; and rate level. The PFR is important to the Council in that it addresses the costs that relate to implementation of the power plan and the fish and wildlife program.

There are a series of meetings that have been scheduled. These include both "technical workshops" and "management level discussions". The current schedule for these meetings is:

### Opening Workshop:

**January 25, 2005** –Topic: PFR Opening Workshop along with presentation on how this fits into the rate setting process.

### Technical Workshops:

**February 1, 2005** – Time: 9:00 a.m. – 12:00 p.m., Topic: Transmission acquisition costs

**February 8, 2005** – Time: 9:00 a.m. – 4:00 p.m., Topic: A.M. – Conservation program costs / P.M. - Renewables program costs

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<sup>1</sup> <http://www.bpa.gov/power/pl/review/>

**March 1, 2005** – Time: 9:00 a.m. – 4:00 p.m., Topic: A.M. - Internal operations costs charged to power rates / P.M. - Federal and Non-Federal Debt Service and Debt Management

**March 15, 2005** – Time: 9:00 a.m. – 4:00 p.m., Topic: A.M. - Columbia Generating Station / P.M. - Corps of Engineers and Bureau of Reclamation operation and maintenance costs and capital investments

**April 5, 2005** – Time: 9:00 a.m. – 4:00 p.m., Topic: Fish & Wildlife program costs, both expense and capital

**April 6, 2005** – Time: 9:00 a.m. – 4:00 p.m., Topic: Risk Mitigation Packages and Tools

**April 20, 2005** – Time: 1:00 – 4:00 p.m., Topic: Summary of what we've heard and discussion of outstanding issues

#### **Management-Level Discussions:**

**February 23, 2005 (previously scheduled for February 15)** - Time: 9:00 a.m. – 4:00 p.m., BPA Headquarters, 905 NE 11<sup>th</sup> Avenue, Room 122, Topics: Transmission acquisition costs, program costs for Conservation and Renewables

**March 16, 2005** - Time: 9:00 a.m. – 4:00 p.m., BPA Rates Hearing Room, 911 NE 11<sup>th</sup> Avenue Topics: Columbia Generating Station, Corps of Engineers and Bureau of Reclamation operation and maintenance costs and capital investment

**March 17, 2005** - Time: 9:00 a.m. – 4:00 p.m., BPA Rates Hearing Room, 911 NE 11<sup>th</sup> Avenue Topics: Internal operations costs charged to power rates, Federal and Non-Federal Debt Service and Debt Management

**April 18, 2005 (previously scheduled for April 12)** - Time: 9:00 a.m. – 4:00 p.m., BPA Rates Hearing Room, 911 NE 11<sup>th</sup> Avenue, Topics: Risk Mitigation Packages and Tools, and Fish & Wildlife program costs, both expense and capital

**April 27, 2005** – Time: 8:30 a.m. – 11:30 a.m., BPA Rates Hearing Room, 911 NE 11<sup>th</sup> Avenue Topic: Summary of what we've heard, outstanding issues, and discussion with Administrator

As you will have noted in the above schedule, Bonneville has adjusted the schedule for the management level discussion so that two of the sessions of particular interest to the Council no longer conflict with Council meeting dates. It should be pointed out, however, that everything is connected to everything else in this process. While perhaps not a zero sum game, decisions reached in one area can have impacts in other areas.

As of this writing, only the opening workshop and the workshop on transmission acquisition costs have been held. The workshop on conservation and renewables is being held today with Council staff in attendance. We will brief you on specific issues arising from this meeting at the Council meeting.

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