

Tom Karier
Chair
Washington

Frank L. Cassidy Jr.
"Larry"
Washington

Jim Kempton
Idaho

Judi Danielson
Idaho



Joan M. Dukes
Vice-Chair
Oregon

Melinda S. Eden
Oregon

Bruce A. Measure
Montana

Rhonda Whiting
Montana

February 9, 2006

MEMORANDUM

TO: Council Members

FROM: John Shurts

SUBJECT: Update on Bonneville financial issues (Power Function Review, rate case and Administration's budget proposal)

The agenda for the February meeting includes a staff update on a number of processes and developments in play that affect Bonneville's financial condition, the region's power rates, and Bonneville's ability to fund key programs. Here is a list of topics likely to be part of that update:

Power Function Review II (PFR 2)

- quick overview of the process, timelines and expected products, especially the relationship to the ongoing rate case
- status of the discussions about the program funding levels for conservation and renewables and related issues
- status of the discussions about the program funding levels for fish and wildlife (in the various categories) and related issues, including:
 - discussions about cost management efforts regarding monitoring and evaluation
 - discussions related the Columbia River Fish Mitigation program and other hydro matters
 - any developments related to BiOp remand (in PFR, or in remand discussions)
- status of discussions about Council's budget

Rate case

- brief overview of the process and schedule
- general comments on overall approach and how the pieces need to fit together, w/ key pieces in flux
- developments/issues related to secondary revenue forecast and relationship to proposed base rates and Treasury Payment Probability (TPP)
- developments/issues related to risk mitigation package and relationship to proposed base rates and TPP
 - what is called the "Fish CRAC" in particular -- elements, proposed effects, issues
- status of Bonneville's motion to strike testimony about the Council's budget level

Administration's budget proposal

- status of proposals regarding secondary revenues and third-party debt

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