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March 28, 2006

## MEMORANDUM

**TO:** Power Committee

**FROM:** Terry Morlan

**SUBJECT:** Update on Bonneville's Power Function Review 2

Bonneville Power Administration is scheduled to produce a final report on its Power Function Review 2 (PFR2) on Friday, March 31. The PFR2 was intended to identify potential additional cuts to Bonneville's costs in order to further reduce its 2007-2009 rates.

I have attached a "scorecard" on suggestions that are being considered under the PFR2. The major savings considered likely relate to changing the way capital costs for the Columbia Generating Station are repaid. Items of concern to the Council do not appear to be a problem at this point. Fish and Wildlife monitoring and evaluation has not been changed, the Council budget issue appears to have been resolved, and there are no proposed changes to conservation funding that further threaten the Council's targets. Note that the level of benefits to aluminum companies is still under discussion and could have a substantial effect on Bonneville's costs.

This agenda item will give Council members a chance to discuss any concerns about the PFR2 final report.

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# Scorecard as of March 22, 2006

Updated As Of March 22, 2006

PFR II: Current Areas of Priority Focus				
	Likely		Under Discussion	
	+	-	+	-
<b>1 Capital Cost Recovery</b>				
2 Longer amortization period for conservation acquisition				\$ 0.0
3 Longer amortization period for fish and wildlife investments				TBD
4 Use BPA borrowing authority for land and water acquisitions for fish				TBD
5 Extend existing CGS debt to 2024		\$ (16.0)		
6 Longer maturity (to 2024) on debt for new CGS investments		\$ (1.5)		
7 Update to reflect 2005 actuals in repayment studies		\$ (3.5)		
8 Columbia River Fish Mitigation plant-in-service schedule -- DOD IG decision	\$ 5.0			
9 Potential increases for CGS deferred maintenance (capital)	\$ 2.5			
<b>10 CGS O&amp;M</b>				
11 Potential increases for deferred maintenance (expense)	\$ -			
<b>12 Corps &amp; Reclamation O&amp;M</b>				
13 Benchmarking federal projects O&M against other regional hydro projects				TBD
<b>14 Residential Exchange</b>				
15 None				
<b>16 Transmission</b>				
17 Review transmission expense for secondary sales		\$ 0.0		
<b>18 Fish and Wildlife</b>				
19 F&WL Monitoring and Evaluation (M&E)				\$ 0.0
<b>20 "Other"</b>				
21 DSI \$59 million annual support (\$53M/yr is expected value in I.P. with risk)				\$ (53.0)
22 Review Spokane settlement status			\$ 6.7	
<b>23 Internal Operations</b>				
24 Examine potential for additional EPIP savings				TBD
<b>25 Conservation</b>				
26 Consider conservation done by utilities "on their own nickel"				TBD
27 Increase BPA funding for conservation			TBD	
<b>28 Renewables</b>				
29 Remove Calpine geothermal net cost from 2009		\$ (6.0)		
30 Consider increasing facilitation costs and backstop costs	\$ 5.0			
<b>31 Long Term Generating Projects</b>				
32 None				
<b>33 TOTAL</b>	<b>\$ 13</b>	<b>\$ (27)</b>	<b>\$ 7</b>	<b>\$ (53)</b>