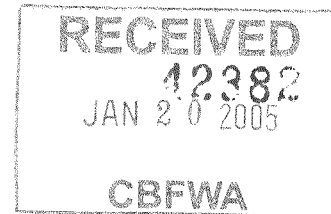




Department of Energy

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



ENVIRONMENT, FISH AND WILDLIFE

January 14, 2005

In reply refer to: KEWS-4

Dear Interested Party:

We are sending this letter as a follow-up to the Bonneville Power Administration (BPA) Power Business Line's (PBL) announcement about the Power Function Review (PFR) public involvement process and to provide more detail on the fish and wildlife component of the PFR.

The PFR public involvement process will begin on January 25, 2005. This process will establish PBL's program levels, including fish and wildlife costs, for BPA's 2007 power rate case. Following the PFR, BPA will incorporate the fish and wildlife costs and the other program levels into the revenue requirement that we use to develop our initial power rates proposal. The power rate case will begin in fall 2005.

As we prepare for this rate case, we expect there will be significant interest in the various components of BPA's fish and wildlife costs. So, in addition to the April 5, 2005, PFR meeting that will be devoted to fish and wildlife program levels, we have scheduled several public meetings to further delve into specific program components. These meetings will be open to all interested parties. If you wish to review and influence BPA's fish and wildlife costs, these meetings are your opportunity, along with the workshops in the PFR process. The issue of program levels will not be further revisited during the wholesale power rate proceeding itself.

Following are the specific program components these processes will address:

- **Integrated Program** – The non-capital expenditures for fish and wildlife activities BPA funds under the Northwest Power and Conservation Council (Council) Fish and Wildlife Program, including Endangered Species Act (ESA) biological opinions. For the past several months, an ad hoc working group has been meeting, under the auspices of the Council, to discuss Integrated Program costs. The group includes state, tribal and federal participants, as well as representatives from BPA customer groups and other entities. The overall goal of this collaborative effort is to complete a Memorandum of Understanding (MOU) that describes how the Council will develop, and BPA will implement the Integrated Program.
- **Capital Investment** – This category includes fish and wildlife-related investments in the Council's Fish and Wildlife Program that are directly funded through BPA borrowing. Also included are fish and wildlife capital investments by the Corps of Engineers and Bureau of Reclamation for which BPA is obligated to repay the U.S. Treasury. These investments result in projected amortization, depreciation and interest payments that then are incorporated into the revenue requirements that we use to develop our initial power rates proposal.

- **Direct Funding Agreements** – The hydroelectric share of operations and maintenance and other non-capital expenditures for fish and wildlife activities by the Corps of Engineers, Bureau of Reclamation and U.S. Fish & Wildlife Service that BPA directly funds.
- **River Operations** – River operations to meet fish and wildlife objectives under ESA biological opinions and the Council's Fish and Wildlife Program.

The public review meetings are scheduled for January 28, February 4, February 11, and in late March. Then, following the PFR Fish and Wildlife workshop on April 5, 2005, the MOU workgroup will reconvene to finalize the MOU specific to Integrated Program funding levels and implementation protocols. The PFR will continue to hold technical workshops, management-level discussion groups, and subsequent public meetings through the end of April 2005. The first enclosure lays out the schedule of these meetings. We will follow up with additional information on these meetings and details will be posted at www.efw.bpa.gov.

I am also enclosing additional background material on the PFR and how it relates to the rate case process. You may visit www.bpa.gov/power/pl/review to learn more about the PFR, or contact Michelle Manary (503-230-5858) if you have any questions. If you have questions on the specific fish and wildlife components, please contact Bill Maslen, Fish and Wildlife Division Director (503-230-5549).

I look forward to your interest and participation.

Sincerely,

/signed Gregory K. Delwiche/

Gregory K. Delwiche, Vice President
Environment, Fish & Wildlife

Enclosures (2)

Date/Location	Topics:
January 28, 9:00 am – 3:00 pm BPA Rates Hearing Room 911 NE 11 th Ave Portland, OR	Public review meeting: Presentation of draft summary level costs, including: <ul style="list-style-type: none"> • US Army Corps of Engineers and Bureau of Reclamation O&M expense and capital expenditures for fish and wildlife • Lower Snake River Compensation Program expense • Hydrosystem operations and project configuration • Capital investment and related issues • Summary of overall uncertainty around BPA ratemaking and risk management tools
February 4, 1:00 pm – 4:00 pm TBD Portland, OR	Public review meeting: policy-level discussion of fish and wildlife cost components from January 28 presentation
February 11, 10:00 am – 2:00 pm BPA Offices 707 W. Main St, Suite 500 Spokane, Washington	Public review meeting: policy-level discussion of fish and wildlife cost components from January 28 presentation
Late March; TBD	Public review meeting: Integrated Program Summary Workshop. Final review of draft Integrated Program funding level.
April 5	Power Function Review technical workshop: Integrated Program – expense and capital; Direct Funding Agreements for Corps and Reclamation fish and wildlife O&M expense; capital investment; modeling assumptions for fish and wildlife operations to be used in the hydro regulation studies for BPA's rates analysis
Mid-April	Ad hoc workgroup reconvenes to finalize Integrated Program aspects of MOU
April 29	Power Function Review concludes