

journal

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www.bpa.gov/corporate/pubs/Journal

2009 costs ready for rate case

BPA has completed its Integrated Program Review (IPR) of Power Services costs that will be included in 2009 power rates as part of the 2007 Supplemental Wholesale Power Rate Adjustment Proceeding. The supplemental rate case responds to a court-remanded residential exchange issue. The final IPR report, released July 21, identifies \$8 million in program savings from the initial IPR proposal.

After considering all comments, BPA adjusted internal and conservation program levels and conservation capital forecasts for FY 2009. It is important to note that even after the net decrease of \$8 million in program savings, BPA is still increasing the conservation expense forecast by over \$10 million from the original FY 2007-2009 rate case levels.

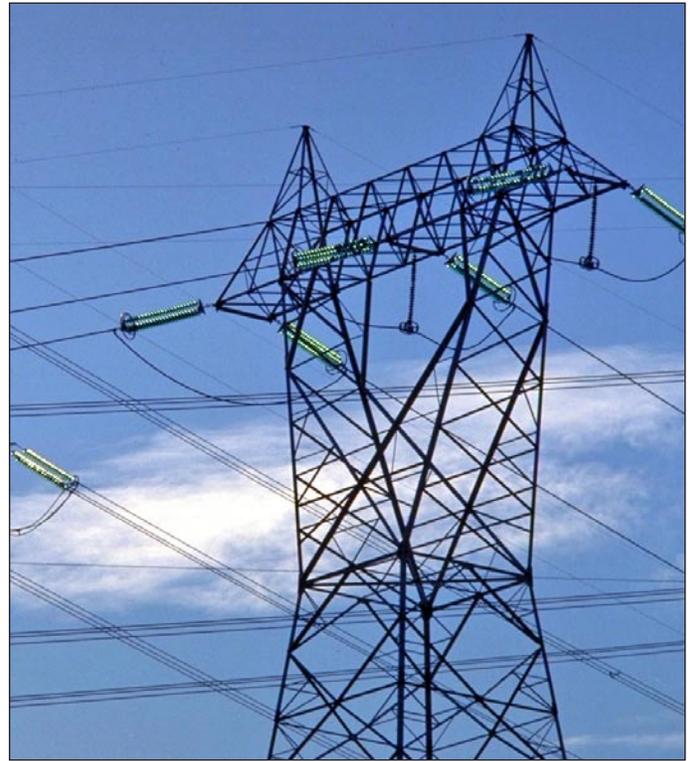
Overall, BPA's proposed program levels are higher than the original WP-07 levels largely due to changes in the business and regulatory environment that offset BPA's efficiency program. These include investments in the aging and deteriorating federal hydro system, expenses for the aging Columbia Generating Station, increasing environmental and regulatory obligations and safety and security needs, and new biological opinions and fish protection measures.

BPA inspecting all transmission corridors

Air and ground crews have been inspecting and removing dangerous vegetation on all BPA transmission rights-of-way this summer to ensure trees and shrubs are not growing or will not grow too close to power lines.

The 90-day inspection, which began July 3, covers 8,500 miles (15,000 circuit miles). It responds to a directive from the Western Electricity Coordinating Council following a June 28 tree contact with a BPA line. The comprehensive inspection will provide assurance that BPA is in compliance with new and more stringent reliability standards put into place following the massive Midwest-East Coast blackout of 2003.

BPA's new standard requires removal of trees and brush that have the potential to grow within 25 feet of the lowest level power lines can sag. Sagging occurs when lines are heavily loaded or in hot weather. Landowners who believe they have trees that could encroach into this space are warned not to try to trim or remove trees themselves. Working near any



electricity transmission facilities is extremely dangerous, and it is not necessary to come into direct contact with a line to create a dangerous situation, as power lines can "flash over" if people or tools come too close. Anyone who believes they have a "danger" tree should call 800-836-6619.

For more information on the inspection, a fact sheet titled "Trees and power lines" is available at www.bpa.gov/corporate/pubs/. For more information on BPA's vegetation management program, visit www.transmission.bpa.gov/LanCom/veg-mgmt.cfm.

BPA takes proactive refinancing approach

With a total of about \$6.2 billion of nonfederal bonds in play, like others, BPA has exposure to the financial market turmoil. However, a proactive refinancing approach has limited the effects of the turmoil on the agency.



The primary effects on BPA center on Energy Northwest (EN) bonds that BPA backs. Most of these bonds have a fixed rate, and a small portion have a variable rate – the bond market’s version of an adjustable rate mortgage.

BPA’s Debt and Investment Management group is responsible for watching the markets and monitoring the effects on the agency’s debt portfolio. Earlier this year, the agency completed a \$209 million bond transaction to replace one type of under-performing variable rate debt that, in recent months, sometimes traded 2 percent higher than expected with a different type of variable rate debt that has historically performed as expected. The rate is reset weekly and has averaged about 3.5 percent for the past 15 years.

“For FY 2008, we have replaced about \$435 million in ‘under-performing’ variable rate bonds with an equal amount of fixed rate or new variable rate bonds that perform better,” said Don Carbonari, manager of BPA’s Debt and Investment Management group. “The amount of interest we avoided paying is significant.”

Congestion management tools launched

This summer, BPA launched its reliability redispatch pilot and the curtailment calculator prototype. These tools will bring BPA closer to finding sustainable solutions to help manage existing congestion on the transmission system.

The reliability redispatch pilot requires voluntary bids from participating generators in and outside of BPA’s Balancing Authority. If a flowgate is near or over the operating transfer capability of a line, BPA dispatchers can pair up participant bids and request generators to increase or decrease their output to relieve the congestion. BPA tested a version of the reliability redispatch tool last summer, and has now expanded it to allow participants outside BPA’s Balancing Authority and to include 10 of BPA’s internal network transmission paths. This pilot will run through the end of September 2009.

If there are insufficient bids for the reliability redispatch pilot to relieve congestion, the curtailment

calculator prototype will allow BPA to curtail schedules to reduce the amount of energy that crosses an internal network transmission path. Any curtailments made will be consistent with the Open Access Transmission Tariff, which defines the terms and conditions of BPA’s transmission services. Input provided through the prototype effort should continue to improve the curtailment calculator tool.

Third Quarter Review forecasts financial health

BPA’s financial condition is looking solid this year. The Third Quarter Review, released July 25, projects the agency, Power Services and Transmission Services could end fiscal year 2008 with modified net revenues above start-of-year targets.

However, because market and water conditions will still affect the agency’s financial results, BPA is cautiously optimistic that this forecast will be realized. While forward projections of prices are positive, runoff this year has been unusual. The first quarter was substantially below expectations because cold weather resulted in near-record low flows in the Columbia River. The second quarter was closer to expectations financially because there was a warm period that produced some flows. The third quarter contained both a very good month (June) and a bad month (April).

The amount of water available in the fourth quarter will determine whether BPA generates net secondary revenues that can help it meet its financial targets. If BPA has to make an unexpected amount of purchases, its ability to meet these targets will be hampered.

For more information, go to www.bpa.gov/corporate/Finance/q_review/.

Correction to Network Open Season results

In the July issue of the Journal (print version), it was reported that 27 customers signed service agreements for transmission. The correct number is 28.

publicinvolvement

updates and notices

AGENCY – PROJECTS UNDER REVIEW

Financial Plan – Regionwide

BPA expects to publish the update of its Financial Plan in early August. The new plan addresses four major areas: access to capital, financial risk metrics, cost recovery policy and financial planning for good and bad years. The plan identifies long-term financial issues and provides strategies or suggests alternatives to address them. The purpose of this effort was to generate, document and evaluate selected issues within a financial framework that will help guide BPA’s financial direction. For more information, go to www.bpa.gov/corporate/Finance/financial_plan/.

Integrated Program Review – Regionwide

In May, BPA began the Integrated Program Review portion of a new process to ensure its customers and stakeholders have regular access to clear and transparent financial information as well as frequent opportunities for meaningful input into BPA’s cost and program decisions. Workshops were held into July. BPA is accepting public comment on cost forecasts for the 2010-2011 rate period through August 15. BPA will consider the input received as it establishes program costs for the Power and Transmission 2010-2011 rate cases, which will begin this fall. For more information, go to www.bpa.gov/corporate/Finance/libr/.

WI-09 Wind Integration Rate Case – Regionwide

BPA is proposing a new transmission rate to recover the costs of balancing the variable output of wind farms in its control area within each hour. The rate would be in effect for one year from October 2008 to September 2009, and would be charged to wind power producers in BPA's control area. BPA and a significant number of rate case parties have signed a settlement agreement under which BPA is proposing a monthly rate of 68 cents per kilowatt of installed wind capacity. Comments were accepted through April 15. BPA issued a ROD June 30 and submitted the proposed rate to FERC for approval for the rate to become effective Oct. 1. For more information, go to www.transmission.bpa.gov/Business/Rates_and_Tariff/2009WindIntegRateCase.cfm.

FISH AND WILDLIFE – PROJECTS UNDER REVIEW

Chief Joseph Hatchery Program – Okanogan County, Wash.

The Northwest Power and Conservation Council recommended that BPA study a program sponsored by the Confederated Tribes of the Colville Reservation to assist in conservation and recovery of summer/fall chinook salmon in the Okanogan subbasin and the Columbia River below Chief Joseph Dam. This program would include a new hatchery near the base of Chief Joseph Dam and acclimation ponds throughout the Okanogan River subbasin. The use of the proposed facilities to reintroduce spring chinook salmon in the Okanogan subbasin is also being considered. The program would augment the ceremonial and subsistence harvest of salmon for the Colville Tribes and would be designed to have no effect on Chief Joseph Dam operations. Public meetings on the draft EIS were held and comments were accepted through June 18, 2007. A final EIS and ROD are expected by late summer 2008. For more information, go to www.efw.bpa.gov/environmental_services/Document_Library/Chief_Joseph/.

Lyle Falls Fish Passage Project – Klickitat County, Wash.

BPA issued the Lyle Falls Fish Passage draft EIS for public review on March 19. BPA prepared the analysis along with its cooperating agencies: Yakama Nation, Washington Department of Fish and Wildlife and the U.S. Forest Service. The draft EIS addresses the proposed modification and upgrade to the existing fishway to improve fish access to upper reaches of the Klickitat River, meet state and federal fish passage standards and assist biologists in collecting valuable biological (fisheries) information. Comments on the draft EIS were accepted until May 12 and a public meeting was held April 16. The final EIS is currently being prepared and is expected to be issued in September 2008. For more information, go to www.efw.bpa.gov/environmental_services/Document_Library/Lyle_Falls/.

Northeast Oregon Hatchery Program, Grande Ronde-Imnaha Spring Chinook Hatchery Project – Wallowa County, Ore.

BPA has conducted value engineering, land acquisition and final design according to the initial ROD signed March 11, 2005. A ROD authorizing construction is planned for late summer 2008. For more information, go to www.efw.bpa.gov/environmental_services/Document_Library/Grand_Ronde/.

POWER – PROJECTS UNDER REVIEW

Average System Cost Methodology – Regionwide

BPA has completed the first of several milestones required to respond to the court and create some clarity for future Residential Exchange Program (REP) benefits and offering of Regional Dialogue contracts. BPA completed its Average System Cost Methodology (ASCM) ROD after reviewing comments received on a draft ROD. The ROD responds to comments received during the ASCM consultation process, and presents the administrator's decisions on all issues raised. The ASCM

presented in the ROD redefines the types of capital and expense items includable in ASCs and will be used to determine the ASC of resources for regional electric utilities that participate in the REP authorized by section 5(c) of the Northwest Power Act. BPA filed the final ASCM and ROD with FERC in early July 2008. BPA will offer Residential Purchase and Sale Agreements this month and implement the REP beginning Oct. 1, 2008. For more information, go to www.bpa.gov/corporate/Finance/ascm.

Bridge Net Requirement Block Agreements – Regionwide

BPA will issue a final ROD this month regarding its plan to establish a new net requirements (NR) contract to replace the previous contract. BPA is authorized by the Northwest Power Act to sell power via contract to investor-owned utilities to meet their net requirements. This contract, called Bridge NR Block Agreements, will be in effect from Oct. 1, 2008, through Sept. 30, 2011. BPA accepted public comment on the draft contract through June 16. The draft contract was based on the original subscription contract provisions and provided investor-owned utilities access to federal power at the NR Block rate. All comments received will be reflected in the ROD when it is released. BPA plans to offer the bridge contract this month. For more information, go to www.bpa.gov/corporate/finance/ascm/letters.cfm.

FCRPS Draft Systemwide Cultural Resources Programmatic Agreement – Regionwide

The Federal Columbia River Power System Draft Systemwide Cultural Resources Programmatic Agreement (PA) covers the management of historic properties affected by the multi-purpose operations of 14 FCRPS hydro projects. It provides the systemwide principles and commitments for the Lead Federal Agencies' compliance with Section 106 of the National Historic Preservation Act. Comments on the draft PA were accepted through May 11 and are currently being addressed. A new version of the PA and a comment/response spreadsheet explaining how comments were addressed will be available in fall or winter 2008. For more information, go to www.efw.bpa.gov/environmental_services/fcrps.aspx.

New Large Single Load Adjustments for FY02-08 – Regionwide

BPA accepted comments on New Large Single Load (NLSL) determinations and adjustments to its FY02-08 Average System Cost (ASC) estimates to be used in BPA's WP-07 Supplemental Proceeding through July 2. Because BPA and exchanging utilities have implemented Residential Exchange Program (REP) settlements since 1996, utilities did not file NLSL information with BPA during that period. BPA has analyzed the data provided by utilities intending to participate in the REP beginning Oct. 1, 2008, and has made NLSL estimates used in calculating the utilities' respective FY02-08 ASCs. The analysis shows the identified NLSLs, the resource costs associated with serving such loads and the resulting ASC adjustments. For more information, go to www.bpa.gov/corporate/finance/ascm/letters.cfm.

Residential Purchase and Sales Agreements – Regionwide

BPA will issue final RODs this month regarding its offering of short-term and long-term Residential Purchase and Sale Agreements (RPSA) to utilities wishing to participate in the Residential Exchange Program (REP) starting in FY 2009. Public comment was accepted on the two draft RPSAs through June 16. The Bridge RPSA will implement the REP between Oct. 1, 2008, through the time the Regional Dialogue Long-Term RPSA takes effect, currently scheduled to be Oct. 1, 2011. The Regional Dialogue Long-Term RPSA will be offered in conjunction with the rest of the Regional Dialogue Long-Term Contracts this month. For more information, go to www.bpa.gov/corporate/finance/ascm/letters.cfm.

Tiered Rate Methodology – Regionwide

BPA submitted an initial proposal for its Tiered Rate Methodology (TRM) for publication in the Federal Register May 6. A prehearing conference was held May 9. BPA and parties agreed to waive the rules of Ex Parte and enter into a series of settlement discussions in June and a set a second pre-hearing conference, held July 9. BPA will accept comments on the initial proposal through Aug. 13. BPA expects to conclude the process in late September 2008 when the final ROD will be issued. For more information, go to www.bpa.gov/corporate/ratecase/2008/2008_TRM/.

WP-07 Supplemental Wholesale Power Rate Case – Regionwide

BPA is holding its WP-07 Supplemental Wholesale Power Rate Adjustment Proceeding to respond to court rulings regarding the 2000 Residential Exchange Program (REP) Settlement Agreements and the allocation of their costs to power rates paid by consumer-owned utilities. This proceeding will result in revised power rates for FY 2009 and the foundation for the future implementation of the REP under the NW Power Act. BPA accepted public comments through May 2. A draft ROD is expected to be published by the end of the month and a final ROD by the end of September with the goal to have revised FY 2009 rates effective Oct. 1, 2008. For more information, go to www.bpa.gov/corporate/ratecase/.

TRANSMISSION – PROJECTS UNDER REVIEW

Golden Hills Wind Farm Interconnection – Sherman County, Ore.

BP Alternative Energy requested interconnection of 200 MW of power generated from the proposed Golden Hills Wind Project that would be located in Sherman County, Ore. BPA proposed to interconnect 200 MW by installing equipment and expanding PGE's existing Biglow Substation. BPA would also purchase a portion of the substation and the control house. Comments on this project were accepted through June 30. BPA will analyze project impacts in a tiered ROD under the Business Plan EIS. The ROD is scheduled to be completed this year. For more information, go to www.transmission.bpa.gov/PlanProj/Wind/.

Kittitas Valley Wind Project Interconnection – Kittitas County, Wash.

Sagebrush Power Partners LLC, a wholly owned subsidiary of Horizon Wind Energy LLC, has submitted a request to BPA to interconnect up to 108 MW of electricity generated from Sagebrush's proposed Kittitas Valley Wind Project to the federal transmission system. In order for BPA to interconnect the project, BPA would need to construct a new substation adjacent to its Columbia-Covington 230-kV line. BPA is accepting comments on the proposed interconnection through Aug. 25. For more information, go to www.transmission.bpa.gov/PlanProj/Wind/.

Libby (Flathead Electric Cooperative)-to-Troy Section of the Libby-to-Bonniers Ferry 115-kV Transmission Line Rebuild – Lincoln County, Mont.

BPA has decided to rebuild a 17-mile section of the Libby-to-Bonniers Ferry single circuit 115-kV transmission line to provide stable and reliable transmission service. BPA issued the ROD in July 2008 based on the Final EIS, which was released in May 2008, and on public comments received. For more information, go to www.efw.bpa.gov/environmental_services/Document_Library/Libby/.

Shepherds Flat Wind Project Interconnection – Gilliam County, Ore.

BPA has prepared a ROD and decided to offer contract terms to interconnect up to 846 MW of power generated by the proposed Shepherds Flat Wind Energy Project into the federal transmission system. To interconnect the project, BPA will construct a new 4-acre, 230-kV yard addition to its Slatt Substation. Construction is expected to begin in summer 2009 and could be complete as early as winter 2010. Residents can expect to see equipment, staff and BPA contractors in the area during this time. For more information, go to www.efw.bpa.gov/environmental_services/Document_Library/ShepherdsFlatWindFarm/.

TRANSMISSION – PROJECTS UNDER CONSTRUCTION

Olympic Peninsula Transmission Line Reinforcement Project – Thurston and Mason Counties, Wash.

BPA completed the EA and FONSI and made a decision to proceed with the project. Activities include removing most of its existing Olympia Shelton No. 1 115-kV transmission line (structures and conductor) from Olympia Substation to Shelton Substation and replacing the last 14.5 miles of this line into Shelton Substation with a double-circuit 230-kV line on lattice steel towers. This will improve voltage stability during winter-peak load conditions on the Olympic Peninsula. The project is expected to be complete in the fall of 2009. For more information, go to www.efw.bpa.gov/environmental_services/Document_Library/Olympic/.

Palisades-Goshen Transmission Line Reconstruction – Bonneville and Bingham Counties, Idaho

BPA completed a revision sheet to the preliminary EA, a Mitigation Action Plan and a FONSI in May. The FONSI was signed May 30. BPA has decided to rebuild the Palisades Goshen line due to its age and deteriorated condition to ensure safe and reliable transmission service. Access-road construction began in June and line construction began in July. The project is expected to be complete in 2010. For more information, go to www.transmission.bpa.gov/PlanProj/Transmission_Projects/.

SUPPLEMENT ANALYSES

SA-379 – Naselle-Tarlett No. 1, Pacific County, Wash.

SA-380 – Satsop-Aberdeen No. 1 and 2, Grays Harbor County, Wash.

SA-381 – Little Goose-Lower Granite, Garfield County, Wash.

SA-383 – Raymond-Henkle Street, Pacific County, Wash.

SA-386 – System Emergency, BPA Service Area

CALENDAR OF EVENTS

To view BPA's public involvement calendar, visit www.bpa.gov/corporate/public_affairs/Calendar/.

CLOSE OF COMMENT

Aug. 13 - Tiered Rate Methodology

Aug. 15 - Cost forecasts for 2010-2011 rate period—Integrated Program Review

Aug. 25 - Kittitas Valley Wind Project Interconnection

The Journal is a monthly publication of the Bonneville Power Administration. If you have questions or comments, or you want to be added to the mailing list for any project, call toll free (800) 622-4519.

To order copies of documents, call: (800) 622-4520 or (503) 230-7334. Written comments may be sent to: BPA, P.O. Box 14428, Portland, OR 97293-4428. E-mail address: comment@BPA.gov. BPA home page: www.bpa.gov. For details on BPA environmental reviews listed above, including site maps and documents issued to date, see www.efw.bpa.gov/environmental_services/nepadocs.aspx. Process Abbreviations: EA-Environmental Assessment, EIS-Environmental Impact Statement, ESA-Endangered Species Act, FONSI-Finding of No Significant Impact, NOI-Notice of Intent, ROD-Record of Decision.

