



## OFFICES OF THE GOVERNORS

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October 22, 2003

Steve Wright, Administrator  
Bonneville Power Administration  
PO Box 3621  
Portland, OR 97208-3621

Dear Steve:

Following our meeting with you last June, we urged the Bonneville Power Administration (BPA) and its customers to work together to reach agreement to settle longstanding litigation over BPA's subscription agreements with the region's investor-owned utilities.

We are writing today to voice support for your efforts to achieve a settlement that we believe goes far to minimize or avoid further BPA rate increases in the near future. The proposed settlement would reduce the Safety Net Cost Recovery Adjustment Clause (SN CRAC) rate increase for FY2004 to zero, resulting in an overall BPA power rate decrease of over 7 percent this year. The settlement provides for BPA to target a zero SN CRAC in FY2005 as well, through further cost reduction and enhanced revenue.

We commend both BPA and the regional utilities for their work to reduce rates for the benefit of the region. We support the settlement framework and we urge all parties to work toward the settlement. We also support your agreement to reach out to all regional interests and collaboratively seek cost reductions or revenue enhancements of approximately \$100 million in FY2004 and FY2005. We understand that if these cost reductions and revenue enhancements are achieved, and all other costs and revenues, in aggregate remain as forecasted in the recently concluded SN CRAC rate case, there will be no SN CRAC increase in FY2005.

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We sincerely appreciate your efforts thus far to alleviate the impact that further rate increases would have on our regional economy. We are committed to working with you to address the challenges confronting the agency in a manner that will ensure BPA is able to keep rates as low as possible consistent with its legal obligations, social responsibilities, and sound business principles.

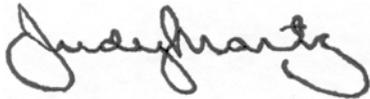
Sincerely,



DIRK KEMPTHORNE  
Governor of Idaho



GARY LOCKE  
Governor of Washington



JUDY MARTZ  
Governor of Montana



THEODORE R. KULONGOSKI  
Governor of Oregon