

journal

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Rate case addresses residential exchange

BPA's initial WP-07 supplemental rate case proposal addresses elements of the Residential Exchange Program, which provides rate relief to the residential and small-farm consumers of the region's utilities, particularly the investor-owned utilities. The proposal also addresses how BPA intends to recover and return past overcharges to BPA preference customers. One component of this would be a wholesale power rates reduction to publicly owned utilities averaging about 4 percent. The rate reductions would come in part from adjustments to the agency's REP.

BPA expects that the rate case will take until late summer to complete. Final decisions that change customers' bills would not occur before fall at the earliest.

The rate case responds to the U.S. Court of Appeals for the Ninth Circuit's rulings that found BPA's 2000 Residential Exchange Settlement Agreements with investor-owned utilities were not consistent with law and that the costs of the settlement agreements were inappropriately charged to preference customers.

For more information, visit www.bpa.gov/corporate/ratecase.

Interim payments offered

BPA will offer interim payments totaling \$336 million to Northwest public and investor-owned utilities for fiscal year 2008 while the agency continues to work with the region to re-establish a long-term Residential Exchange Program and determine on a final basis what payments should be for FY 2008 (see previous story). This creates the opportunity to get cash flowing back into the hands of BPA's utility customers this spring, rather than hold up payments until fall when the formal rate case process is completed.

The interim contracts will distribute funds BPA has been collecting in rates charged to BPA's public utility customers in the Pacific Northwest. The payments will be subject to true-up once BPA in its ongoing formal process determines the correct level of payments for FY 2008.

The interim agreements are online at www.bpa.gov/power/pl/regionaldialogue/implementation/correspond.shtml. A variety of background materials are available at www.bpa.gov/corporate/BPANews/Perspective/2007/ResExchRuling/.

Loads and Resources study released

BPA recently released its annual Pacific Northwest Loads and Resources study, also known as the White Book. The study provides a snapshot of the power conditions in the region, including how contractual obligations, available resources and other factors influence the whole picture of providing safe, reliable and affordable energy. BPA's analysis found that enough electricity generation exists to meet loads in the Pacific Northwest for the next decade, but much of it is in the hands of independent power producers, not utilities. Whether those independent producers will sell within the region is a key question.

Though energy deficits are unlikely, avoiding them is crucial to continued reliability and affordability of electricity in this region. These results reinforce the need for actions already under way at BPA and many utilities, such as cost-effective energy conservation programs and transmission system reinforcements.

The White Book projects federal system energy deficits from operating year 2008 through operating year 2016 if the region experiences one of the worst water conditions on record, known as the critical water. The White Book also shows larger critical period deficits during times of peak power consumption.

Federal system energy and capacity deficits are projected for planning purposes and should not be seen as predictions of system disturbances. This analysis is simply a risk mitigation approach.

For more information about the White Book, go to www.bpa.gov/power/whitebook2007.

Financial Plan workshops set

BPA's Long-Term Regional Dialogue Policy commits BPA to reviewing and updating its existing Financial Plan. The four major areas to be addressed include access to capital, financial risk metrics, cost recovery policy and planning for good and bad years. BPA will host several public workshops for technical discussions of these subjects. See calendar of events for workshop location, dates and topics.

For more information, visit www.bpa.gov/corporate/Finance/financial_plan/.



BPA launches Resource Program

On March 17, BPA is hosting the first of a series of public workshops on its 2008 Resource Program. The Resource Program will provide a roadmap to guide the agency's future resource decisions by analyzing the best blend of resource types and amounts to meet BPA's expected load obligations through 2020.

The Resource Program won't specify individual resources BPA might purchase, but it will analyze the differential impacts of alternative resource types, such as energy efficiency, wind and natural gas-fired

combustion turbines. However, it is only a resource information picture and will not establish any specific costs or rates.

To develop the Resource Program, BPA will seek involvement of regional resource planning experts and will ensure consistency with the Northwest Power Act. BPA expects to issue its draft 2008 Resource Program for public review in December.

For more information, see the Public Involvement section.

publicinvolvement

updates and notices

AGENCY – PROJECTS UNDER REVIEW

2008 Resource Program – Regionwide

BPA may need to acquire additional resources in coming years to serve its customers' future loads, particularly under new Power Sales Contracts beginning in 2012. BPA's 2008 Resource Program will examine the agency's projected load-resource balance and describe resource types available to fill any projected deficits. The Resource Program will analyze the costs, risks and environmental characteristics of resource portfolios BPA could pursue and then identify a preferred resource portfolio to inform the agency as it considers future resource acquisition actions. BPA expects to refresh its Resource Program periodically. A public workshop to be held on March 17 will focus on the objectives, decision criteria and scope of the 2008 Resource Program. This will be the first in a series of public workshops to inform BPA as it prepares the draft Resource Program. BPA expects to release a draft Resource Program for public review in December 2008. For more information, see BPA's Web site: www.bpa.gov/corporate/finance/RP. (See calendar of events)

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 is proposing a monthly rate of 81 cents per kilowatt of installed wind capacity. This rate proposal was developed in a series of workshops with BPA customers and other interested parties in the fall of 2007. On Feb. 7, 2008, BPA began its 2009 wind integration within-hour balancing service rate case with a Federal Register notice that includes the proposed rate and information about the upcoming rate case process. BPA is accepting comments through April 15, 2008. For more information, see BPA's Web site: www.transmission.bpa.gov/Business/Rates_and_Tariff/2009WindIntegRateCase.cfm. periodically.

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. This program 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 is planned for May 2008 and a ROD is expected by July 2008. For more information, see BPA's Web site: www.efw.bpa.gov/environmental_services/Document_Library/Chief_Joseph/.

Lyle Falls Fish Passage Project – Klickitat County, Wash.

BPA is preparing an EIS for the proposed Lyle Falls Fish Passage Project. The project addresses the modification and upgrade to the existing fishway in order to improve fish access to spawning habitat in the upper reaches of the Klickitat River and meet state and federal fish passage standards. The project would also facilitate the collection of valuable biological (fisheries) information. The draft EIS is being finalized with a scheduled release to the public this month. A 45-day public comment period will follow, including a public meeting. For more information, see BPA's Web site: 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 summer 2008. For more information, see BPA's Web site: www.efw.bpa.gov/environmental_services/Document_Library/Grand_Ronde/.

POWER – PROJECTS UNDER REVIEW

Average System Cost Methodology Consultation Process – Regionwide

Feb. 8, 2008, BPA kicked off its 2008 Average System Cost Methodology (ASCM) Consultation process. This public process will result in a revised ASCM which will be used to determine ASCs that will be incorporated into the revised power rates for FY 2009. With the issuance of this proposal, BPA welcomes different approaches, new ideas and other types of feedback from interested parties. This proposal was developed with guidance from public workshops and is meant to provide a foundation that will facilitate further ideas and approaches. Workshops will be held throughout the comment period to address key issues and explore different approaches to the ASCM. A draft ROD will be issued around May 2008 with a final ROD issued around June 2008 and then filed with FERC for approval. BPA is accepting comments through May 2, 2008. For more information, see BPA's Web site: www.bpa.gov/corporate/Finance/ascm.

FCRPS Draft Systemwide Cultural Resources Program Programmatic Agreement – Regionwide

BPA, the Bureau of Reclamation and the U.S. Army Corps of Engineers seek your comments on a newly revised draft of the Federal Columbia River Power System Systemwide Cultural Resources Programmatic Agreement. The draft PA covers the management of historic properties affected by the multi-purpose operations of 14 FCRPS dam/reservoir projects. The draft PA provides the systemwide principles and commitments for the Lead Federal Agencies' compliance with Section 106 of the National Historic Preservation Act. Please direct inquiries, requests for meetings or provide written comments by April 11, 2008, by mail or e-mail to Kimberly St.Hilaire, BPA, Attn. KEC-4, P.O. Box 3621, Portland, OR 97208, krsthilaire@bpa.gov. The PA and related documents can be viewed at www.efw.bpa.gov/environmental_services/culturalresources.aspx.

Tiered Rate Methodology – Regionwide

Early this month, BPA plans to release a draft Tiered Rate Methodology. With this release, BPA will hold a series of workshops to discuss the draft. Upon release of the draft, the schedule of workshops will be available online at www.bpa.gov/power/pl/regionaldialogue/implementation/meetings/. The schedule of workshops is subject to change, so please check the Web site regularly.

WP-07 Supplemental Wholesale Power Rate Case – Regionwide

Feb. 8, 2008, BPA kicked off its 2009 Supplemental Wholesale Power Rate Adjustment Proceeding (WP-07 Supplemental Proceeding). BPA is holding this supplemental proceeding to respond to recent rulings by the U.S. Court of Appeals for the Ninth Circuit regarding the 2000 Residential Exchange Program settlement agreements and the allocation of their costs to 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. The supplemental proposal is the start of the formal legal process. There are many ways to respond to the Court's rulings, and BPA is proposing one technically and legally defensible approach. BPA would like to emphasize, however, that it looks forward to the alternatives that parties bring forward during this process. These alternatives, as well as other information made available through this process, will inform the BPA administrator when he makes final decisions in the summer of 2008. BPA is accepting comments through May 2, 2008. For more information, see BPA's Web site: www.bpa.gov/corporate/ratecase/.

TRANSMISSION – PROJECTS UNDER REVIEW

Albeni Falls-Sand Creek Transmission Line Project – Bonner County, Idaho

BPA will replace poles on a section of the Albeni Falls-Sand Creek transmission line in northern Idaho and perform other upgrades to improve the reliability of the line. Approximately 340 wood poles will be replaced along about 25 miles of the existing transmission line. The project area is on an existing right-of-way from the Albeni Falls Dam to one mile north of BPA's Sandpoint Substation. In addition, 17 miles of the line will be re-conducted to a larger conductor. BPA employees or contractors will be in the area through the summer performing various activities in support of the project, such as surveying for cultural resources and noxious weeds as well as reviewing the area for dangerous trees. An informational open house was held Aug. 16, 2007. For more information, see BPA's Web site: www.transmission.bpa.gov/PlanProj/Transmission_Projects/.

Caribou-Lower Valley Project (includes Hooper Springs Substation) – Caribou County, Idaho

BPA is proposing to build, own, operate and maintain the new Hooper Springs 138/115-kV substation near a proposed PacifiCorp substation near Soda Springs, Idaho. BPA would

connect to PacifiCorp's new substation (Threemile Knoll) to improve service to Lower Valley Energy. Lower Valley Energy would construct, own and operate a new 20-mile double-circuit 115-kV transmission line from BPA's new substation to a tap on the Lower Valley Energy transmission system between Lanes Creek and Valley substations. BPA is proposing to help fund this transmission line with a third-party financing arrangement. BPA held a public scoping meeting Nov. 1, 2007, to discuss the proposed project. For more information, see BPA's Web site: www.efw.bpa.gov/environmental_services/Document_Library/Caribou/.

Cascade Wind Interconnection Project – Wasco County, Ore.

BPA has been asked by UPC Oregon Wind, LLC to interconnect up to 50-MW of electricity generated from UPC's proposed Cascade Wind Project. UPC would independently build, own and operate the wind project and its associated facilities. The Oregon Energy Facility Siting Council has siting and approval jurisdiction over the proposed wind project and is concurrently reviewing UPC's proposed wind project. If UPC's project is approved, BPA proposes to construct a new switchyard and tap beneath BPA's existing Hood River-The Dalles 115-kV transmission line. Comments to BPA's possible point of interconnection were accepted through Aug. 10, 2007. For more information, see BPA's Web site: www.transmission.bpa.gov/PlanProj/Wind/default.cfm?page=cascade.

Chehalis-Centralia Transmission Line Rebuild – Lewis County, Wash.

BPA is proposing to rebuild a portion of its 69-kV transmission line to a 115-kV design to address increased industrial loads and other load growth in the area. The line extends from the Chehalis Substation about 15 miles north to the Centralia Substation. The portion to be rebuilt under this project would include only the first 12 miles from Chehalis to Ford's Prairie Tap. Proposed activities include upgrading some existing access roads, removing and replacing existing structures and installing new wire. A minor reroute of less than one mile will likely be needed near Ford's Prairie to accommodate planned Port of Centralia developments. Once the review is complete, BPA will decide whether and how to proceed with the project. If BPA decides to proceed, construction could begin in spring 2008 and be completed as early as November 2008.

Columbia-Ellensburg Transmission Line Upgrade – Kittitas County, Wash.

A section of BPA's Columbia-Ellensburg 115-kV transmission line needs upgrades to address line overloads in the area. The section extends from the Ellensburg Substation about 10 miles north to the Schultz Substation and then approximately four miles east toward the Columbia Substation. All existing wood poles and associated hardware would be replaced. Most new poles would be located in or as close to existing holes as possible. A portion of the existing conductor may be replaced to meet current industry standards. Three switches would also be replaced. Some existing access roads may need improvements and additional access routes may need to be purchased. If BPA decides to proceed with the project, construction could begin in spring 2008 and be completed as early as June 2009.

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

BPA is proposing to rebuild a 17-mile section of the Libby-to-Bonnors Ferry 115-kV transmission line to improve reliability and meet future load growth in Lincoln County, Mont. BPA issued a draft EIS on July 20, 2007, and held a public meeting Aug. 15, 2007. Comments were accepted through Sept. 4, 2007. For more information, see BPA's Web site: www.transmission.bpa.gov/PlanProj/Transmission_Projects/.

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

BPA is proposing to remove most of its existing Olympia Shelton No. 1 115-kV transmission line (structures and conductor) from Olympia Substation to Shelton Substation and replace the last 14.5 miles of this line into Shelton Substation with a double-circuit 230-kV line on lattice steel towers. This project would also require adding equipment at four substations. This would improve voltage stability during winter-peak load conditions on the Olympic Peninsula. BPA has released a preliminary EA for public comment. Comments will be accepted through March 6, 2008. For more information, see BPA's Web site: www.efw.bpa.gov/environmental_services/Document_Library/Olympic/.

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

The Palisades-Goshen 115-kV transmission line was built in 1949. The line extends from Palisades Dam in eastern Idaho approximately 52 miles west to BPA's Goshen Substation south of Idaho Falls, Idaho. The majority of the wood poles and cross arms are in need of replacement. BPA proposes to rebuild this line due to its age and deteriorated condition to ensure safe and reliable transmission service. Field work has been completed and BPA expects to issue an EA this month. For more information, see BPA's Web site: www.transmission.bpa.gov/PlanProj/Transmission_Projects/.

Port Angeles-Juan de Fuca Transmission Project – Port Angeles, Wash.

BPA released the final EIS Oct. 4. The EIS evaluates the request from Sea Breeze Olympic Converter LP to interconnect a 550-MW transmission cable to the Federal Columbia River Transmission System. The cable would run from Vancouver Island, B.C., across the Strait of Juan de Fuca to Port Angeles, Wash. BPA expects to issue a ROD this month to determine if it will allow the interconnection. For more information, see BPA's Web site: www.transmission.bpa.gov/PlanProj/Transmission_Projects/.

Vegetation Management Program – Regionwide

The North American Electric Reliability Council has developed Standard FAC-003-1 in an effort to improve the reliability of transmission systems by minimizing outages from vegetation located on and along transmission rights-of-way. This standard requires transmission owners to prepare and keep current a formal transmission vegetation management program. The program must include the transmission owner's objectives, practices, approved procedures and work specifications. By May 30, 2008, BPA will clear trees and brush from north-south transmission paths to ensure the reliability of these lines, which can be compromised during the summer when temperatures rise and the amount of current carried by these lines increases. A bulk of the near-term work being performed to meet the new NERC requirements will occur in the Snohomish and Olympia Regions of BPA's territory. Open houses will be held this month to inform landowners of BPA's program. For more information, see BPA's Web site: www.transmission.bpa.gov/LanCom/veg-mgmt.cfm. (See calendar of events)

TRANSMISSION – PROJECTS UNDER CONSTRUCTION

McNary-Badger Canyon Transmission Line Rebuild – Benton County, Wash.

BPA is proposing to rebuild its McNary-Badger Canyon 115-kV transmission line outside of Kennewick, Wash. The line extends 18.3 miles from the river crossing north of McNary Substation northeast and then west toward Badger Canyon. The line was

built in 1949 and many of the wood poles and cross arms are in need of replacement. In addition, BPA was requested by Energy Northwest to interconnect 32 MW from the Nine Canyon wind farm near Kennewick, Wash. BPA needs to upgrade the McNary-Badger Canyon transmission line to provide the wind farm adequate transmission capacity and prevent overload on the line. Environmental analysis of the project was split into two phases. BPA completed a CX for the first phase of the project and began construction on that section of line in February 2008. Construction activities include replacing most of the wood poles with new ones that are five to 10 feet taller than the originals and replacing the wire. BPA is still completing the environmental analysis for the second phase of the project.

SUPPLEMENT ANALYSES

SA-356 – North Bonneville-Ross #1 & 2, Sifton, Fishers Road #1 and Ross-Vancouver Shipyard #1 – Clark and Skamania Counties, Wash.

SA-357 – Cape Blanco Beam Path – Curry County, Ore.

CALENDAR OF EVENTS

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

Financial Plan Workshops

BPA Rates Hearing Room, 911 N.E. 11th Ave., Portland, Ore.

- March 4, 1 to 4 p.m. – Access to capital
- March 12, 1 to 4 p.m. – Cost recovery policy and financial risk metrics
- March 17, 1 to 4 p.m. – Good year/bad year planning

Resource Program Workshop

March 17, 9 a.m. to noon, Rates Hearing Room, 911 N.E. 11th Ave., Portland, Ore.

Vegetation Management Open Houses,

- March 18, 7 to 9 p.m., Lacey Community Center, 6729 Pacific Ave S.E., Olympia, Wash.
- March 20, 7 to 9 p.m., Ferryman's Inn, 1003 Eckerson Rd., Centralia, Wash.
- March 25, 7 to 9 p.m., Dumas Bay Centre, 3200 S.W. Dash Point Road, Federal Way, Wash.
- March 27, 7 to 9 p.m., Maltby, Wash., location to be determined

Please go to www.bpa.gov/corporate/public_affairs/Calendar/ for updates on locations.

WP-07 Supplemental Rate Case,

- March 18, 6 to 8:30 p.m., Red Lion at the Park, 303 W. North River Drive, Spokane, Wash.
- March 20, 6 to 8:30 p.m., Doubletree Hotel, 1000 N.E. Multnomah St., Portland, Ore.

CLOSE OF COMMENT

April 15, 2008 – WI-09 Wind Integration Rate Case

March 6, 2008 – Olympic Peninsula Reinforcement Project

May 2, 2008 – Average System Cost Methodology Consultation Process

May 2, 2008 – Supplemental Wholesale Power Rate Case (WP-07 Supplemental)

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.

