



Department of Energy

Bonneville Power Administration
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POWER SERVICES

May 29, 2009

In reply refer to: PS-6

Kevin O'Meara, Deputy Director
Public Power Council
825 NE Multnomah, Suite 1225
Portland, OR 97232

Dear Kevin,

Thank you for your May 28th letter regarding the amount of Tier 1 System Capability that BPA has used to calculate Transition High Water Marks (THWMs). Holding the May 19th meeting provided an opportunity for transparency and input for all interested parties on the loads and resources that are being used to calculate the THWMs, and we appreciate the input received both at the meeting and in follow-up opportunities such as your letter.

Based on the content of your letter I thought it would be useful to highlight some of the background on the resource values that were presented at the May 19th meeting. The data used to calculate the resource amounts that comprised the Tier 1 System Capability come from the same hydro system study as was used for the FY 2010 Initial Rate Case Proposal, which is currently BPA's best published estimate of loads, contracts, and resources used in planning. This study incorporates updates to the hydro generation, contracts and resources that were not available for the 2007 White Book study referenced in your letter. That data was published March 31, 2007, almost 2 years before the February 18, 2009, publication of the Initial Rate Case Proposal.

Although the Loads and Resources Study for the FY 2010 Initial Rate Case Proposal published Tier 1 System Capability for only FY 2010 and FY 2011, the studies done for this purpose included forecasts through FY 2030. To calculate the Tier 1 System Capability for THWM purposes, we used data already in those same studies for FY 2012 and FY 2013. BPA believes these values from the 2010 Initial Rate Case Proposal are the best numbers currently available to be used for this purpose, which is why we decided to use them for the purposes of the THWMs published today.

While the explanation provided in this letter, and that was provided during discussions at the May 19th public meeting, are a good start towards understanding of how Tier 1 System Capability will be calculated, we intend to build on the experience gained through the THWM process to improve similar processes in the future. We look forward to working with you and

other stakeholders to further refine the transparency of the process to calculate Tier 1 System Capability as we move further into implementation of the Tiered Rates Methodology.

Sincerely,

/s/ Mark O. Gendron

Mark O. Gendron
Vice President
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