



Department of Energy

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

May 27, 2010

In reply refer to: F

Dear BPA Customers and Interested Parties:

The Bonneville Power Administration (BPA) is currently using the Integrated Program Review (IPR) to engage the region in a rigorous evaluation of its program costs, and their value to the region. As a complement to the IPR, I would like to invite you to two workshops on debt management. This letter explains why such a workshop is important to power rates for fiscal years (FY) 2012-2013.

As outlined in Administrator Steve Wright's letter to the region dated May 11, 2010, this year is a difficult financial year for BPA. BPA's power revenues have suffered substantially as a result of this year's extraordinarily low water conditions, and this year's poor financial performance has possible implications for BPA's power rates for the next rate period.

The IPR plays a significant role in our preparation for the upcoming rate case for FY 2012-2013 and it focuses on program costs. Debt management, and its impact on debt service costs, is another area that impacts BPA's rate levels. Though debt service assumptions are usually addressed in the formal rate case proceeding, we are reaching out to customers and other interested parties to engage in discussions about debt management prior to the start of the 2012 rate case to explore debt management alternatives aimed at keeping rates as low as possible.

The largest cost increase facing Power Services in FY 2012-2013 is for its non-Federal debt service. Currently, the forecast of all power Federal and non-Federal debt service, increases Power Services' revenue requirements through FY 2018, with a steep decline afterward. Energy Northwest debt service is a significant driver of the shape of Power Services' debt service. The upcoming workshops will be opportunities to discuss possible solutions to this pattern, solutions that could be mutually acceptable to Energy Northwest and to rate payers

We have scheduled two debt management workshops. The first will be held from 1 p.m. to 4 p.m. on Tuesday, June 8, the second from 9 a.m. to noon on Friday, June 18. Both will be in BPA's Rates Hearing Room.

In the first workshop we plan to share general debt management and capital information, including the history and contextual background regarding debt management actions. It will also include discussion of BPA's Lease Financing Program, including updated information regarding this effort.

The second workshop will focus on potential debt restructuring and extension scenarios specifically designed for rate relief for power ratepayers for FY 2012-2013. The workshop will also include an overview of refinancing opportunities for traditional interest rate savings, as well as interest rate hedging opportunities to lock in currently low interest rates. This debt extension/restructuring discussion is independent of the Debt Optimization Program, which ended in FY 2009.

Presentation materials will be posted prior to each of these workshops on BPA's external website located at: http://www.bpa.gov/corporate/Finance/Debt_Management/presentations/. Interested parties may participate in both workshops by calling (503) 230-5566. At any time during or after the message and the double beep, enter 3981#. If more discussion is needed, a third workshop, tentatively set for July 8, may be scheduled.

Sincerely,

/s/ Claudia R. Andrews

Claudia R. Andrews
Acting Executive Vice President
and Chief Financial Officer