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May 26, 2010

MEMORANDUM

TO: Power Committee

FROM: Charlie Grist and Sandra Hirotsu

SUBJECT: Update on Bonneville's Budget Setting Process

Bonneville is in the process of determining its program expenditures for fiscal years 2012-2013. The process is called Integrated Program Review (IPR). The IPR occurs every two years, or just prior to each rate case. It provides participants with an opportunity to review and comment on Bonneville's program-level estimates prior to spending levels being set for inclusion in rate cases. Program spending levels are not dealt with in the rate case itself.

The 2010 IPR delves into Bonneville's proposed spending estimates for expense through fiscal year 2013 and for capital through fiscal year 2017. The 2010 IPR consists of a series of technical and managerial workshops covering major program categories for the Power, Transmission and Corporate business units and the strategic drivers of those forecasts. This includes Bonneville's conservation program funding levels, Fish and Wildlife funding and the Council budget among many others. So far eight workshops have been held. Details of the proposal can be found on Bonneville's web page at <http://www.bpa.gov/corporate/Finance/IBR/IPR/>.

Bonneville's planned conservation funding is particularly important as the region gears up efforts to achieve the Council's ambitious Sixth Plan targets and Bonneville moves to a new framework for its role in conservation. Staff will brief the Power Committee on Bonneville's proposed conservation funding levels.

As noted previously, Bonneville does not revisit program level spending during the rate case. Therefore, the only opportunity the Council will have to comment on Bonneville's proposed funding levels for the FY 2012-2013 is during the IPR comment period which runs from May 10 through July 29, 2010.