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November 30, 2011

MEMORANDUM

TO: Council Members

FROM: Terry Morlan, Director, Power Planning Division

SUBJECT: Draft letter to Steve Wright regarding BPA's capital spending proposals

PROPOSED ACTION:

Decide whether to send a letter to Steve Wright, BPA Administrator, voicing concerns about BPA's recent proposals that would result in significant reductions in both energy efficiency and fish and wildlife capital expenditures over the next 10 years. The draft letter will be sent to you prior to the Council meeting.

BACKGROUND:

BPA has been working with its stakeholders throughout the fall to define its capital expenditure needs for the coming decade. In September, BPA unveiled a proposal that represented a 10-percent reduction in capital spending, compared to its most recent IPR (Internal Program Review) levels. The proposal was not an across-the-board cut, but a "shaped" reduction that resulted in a 10-percent cut, in the aggregate. In response to input from its customers, BPA further refined its "shaped" proposal and provided it to stakeholders two weeks ago.

This latest proposal would make an approximate 40-percent cut (\$600 million cut over 10 years) in energy efficiency capital spending, and a 20-percent cut (about a \$100 million cut) in fish and wildlife spending. In its briefing papers, BPA explained that over spending on energy efficiency in FY 2011 makes it possible to reduce spending in FY 2013-14, while still maintaining the total 5-year IPR funding level and meeting the BPA share of the Sixth Power Plan's efficiency targets. FY 2015 spending is reduced from the IPR level of \$145 million to \$92 million (average projected spending during the previous five years), and spending would then escalate at 3-percent per year through FY 2021.

The reasoning given by BPA for cutting fish and wildlife capital was that out-year construction funds should be less, and that the amount proposed would cover the priorities: BiOp projects, then Accord and Settlement projects, then non BiOp/Accord projects.