

costs with a high degree of certainty over the remainder of the rate period.

Part II—Purpose and Scope of Proceeding

A. Purpose of Proceeding

Triggering SN CRAC starts an expedited section 7(i) hearing to establish changes in the amount, duration, and timing parameters of the FB CRAC, taking into account prevailing conditions. On February 7, 2003, the BPA Administrator determined that the SN CRAC triggered based upon a forecast of a 50 percent or greater chance of missing a payment to the U.S. Treasury or another creditor during this fiscal year.

B. Scope of Proceeding

1. Other Proceedings

a. *Power Business Line WP-02 Rate Case*. On July 6, 2000, BPA filed proposed wholesale power rate adjustments with FERC as noticed in the **Federal Register**, 16 U.S.C. 839e(a)(2). *Proposed Amendments to 2002 Wholesale Power Rate Adjustment Proposal*, 65 FR 75272 (2000). BPA supplemented its rate filing with FERC on June 29, 2001. The supplementation of the rate filing included three CRAC risk mitigation tools. On September 28, 2001, FERC granted interim approval to BPA's rates filing. *U.S. Department of Energy—Bonneville Power Admin.*, 96 FERC ¶61,360 (2001).

Pursuant to section 1010.3(f) of BPA's Procedures, the Administrator directs the Hearing Officer to exclude from the record any material attempted to be submitted or arguments attempted to be made in the hearing which seek to in any way visit the appropriateness or reasonableness of BPA's decisions in the WP-02 rate hearing. These decisions include but are not limited to issues related to the Slice methodology and contract issues including the Slice audit.

b. *Transmission Business Line TR-04 Rate Proceeding*. On December 20, 2002, BPA's Transmission Business Line (TBL) published a **Federal Register** Notice announcing the initiation of a rate-setting process for the FY 2004–2005 period. TBL's Initial Proposal reflected a settlement reached between BPA and its transmission customers. The Initial Proposal contains certain assumptions regarding TBL's revenues and expenses over the rate period. Some of these assumptions have been used in developing aspects of the SN-03 proposal and are identified in the supporting documentation. BPA does not intend to revisit the underlying basis for TBL's assumptions. Pursuant to

section 1010.3(f) of BPA's Procedures, the Administrator directs the Hearing Officer to exclude from the record any material attempted to be submitted or arguments attempted to be made in the hearing which seek to in any way visit the appropriateness or reasonableness of BPA's decisions in the TR-04 rate hearing.

2. Financial Choices and Spending Levels

The Financial Choices process allowed extensive review and comment on PBL's costs.

In addition, the decisions made in the Financial Choices process implemented prudent cost management to enhance TPP while minimizing rate impacts. These decisions are reflected in assumptions regarding program spending levels in the SN-03 Initial Proposal. BPA does not intend to revisit in this proceeding the decisions made during the Financial Choices process, including decisions on program spending levels.

Pursuant to section 1010.3(f) of BPA's Procedures, the Administrator directs the Hearing Officer to exclude from the record any material attempted to be submitted or arguments attempted to be made in the hearing which seek to in any way visit the appropriateness or reasonableness of BPA's decisions and other decisions made in Financial Choices on spending levels, as included in PBL's test period revenue requirement for FY 2003–2006. If, and to the extent, any re-examination of spending levels is necessary, that re-examination will occur outside of the rate case. Excepted from this direction on account of their variable nature, dependency on PBL's rate case models, or timing, are: (1) Forecasts of short-term purchase power costs; (2) capital recovery matters such as interest rate forecasts, scheduled amortization, depreciation, replacements, and interest expense; and (3) inter-business line expenses.

3. Fish and Wildlife Costs and Hydro Operations

In BPA's WP-02 Wholesale Power Rate Case, potential fish and wildlife costs were reflected probabilistically, based on 13 system configuration alternatives arrived at during the development of the Fish and Wildlife Funding Principles (Revenue Requirement Study Documentation, Volume 1, WP-02-FS-BPA-02A, Chapter 13). These alternatives were developed specifically to inform and guide PBL's Subscription Process and power rate-setting, keeping options open because those processes would be

concluded prior to decisions being made on system reconfiguration to aid threatened and endangered salmon.

In December 2000, the National Marine Fisheries Service (NOAA Fisheries) issued a Biological Opinion on the operation and configuration of the FCRPS addressing threatened and endangered salmon. Also in December 2000, the U.S. Fish and Wildlife Service (FWS) issued a Biological Opinion on the operation and configuration of the FCRPS addressing Endangered Species Act listed sturgeon and bull trout. Implementation of the NOAA Fisheries Biological Opinion requires the Action Agencies (Corps of Engineers, Bureau of Reclamation, and BPA) to issue annual implementation plans and five-year prospective implementation plans as well as regular annual progress reporting on the success of the Action Agencies' implementation actions. On November 6, 2002, BPA, the Corps of Engineers, and the Bureau of Reclamation released the Final FY 2003–2007 Implementation Plan for the FCRPS. The Implementation Plan identifies and describes the specific measures that the three agencies plan to implement in FY 2003–FY2007 and addresses the actions called for in the NOAA Fisheries and FWS 2000 Biological Opinions for the FCRPS. The Implementation Plan forms the basis for fish-related hydro-operations assumptions and spending level assumptions in the Initial Proposal.

BPA is currently engaged in regional discussions regarding fish-related changes to hydro operations, which are being evaluated in a regional forum. The Northwest Power Planning and Conservation Council (Council) is evaluating these proposed changes in its mainstem rulemaking proceedings. Upon receipt of the Council's final recommendations, the Action Agencies, in coordination with NOAA Fisheries and FWS, may decide to implement changes to measures as outlined in the Action Agencies Implementation Plan. The proposed changes are included in the analysis used to prepare BPA's Initial Proposal. To the extent other decisions are made in these proceedings by the time BPA's Final ROD is prepared, those decisions will be included in the Final ROD.

BPA's fish and wildlife program spending levels are developed to implement not only the Action Agencies' Implementation Plan, but also a set of operational, habitat, harvest, and hatchery measures to protect, mitigate, and enhance non-ESA listed species affected by the FCRPS. When BPA initiated Financial Choices, fish and wildlife spending levels were presented