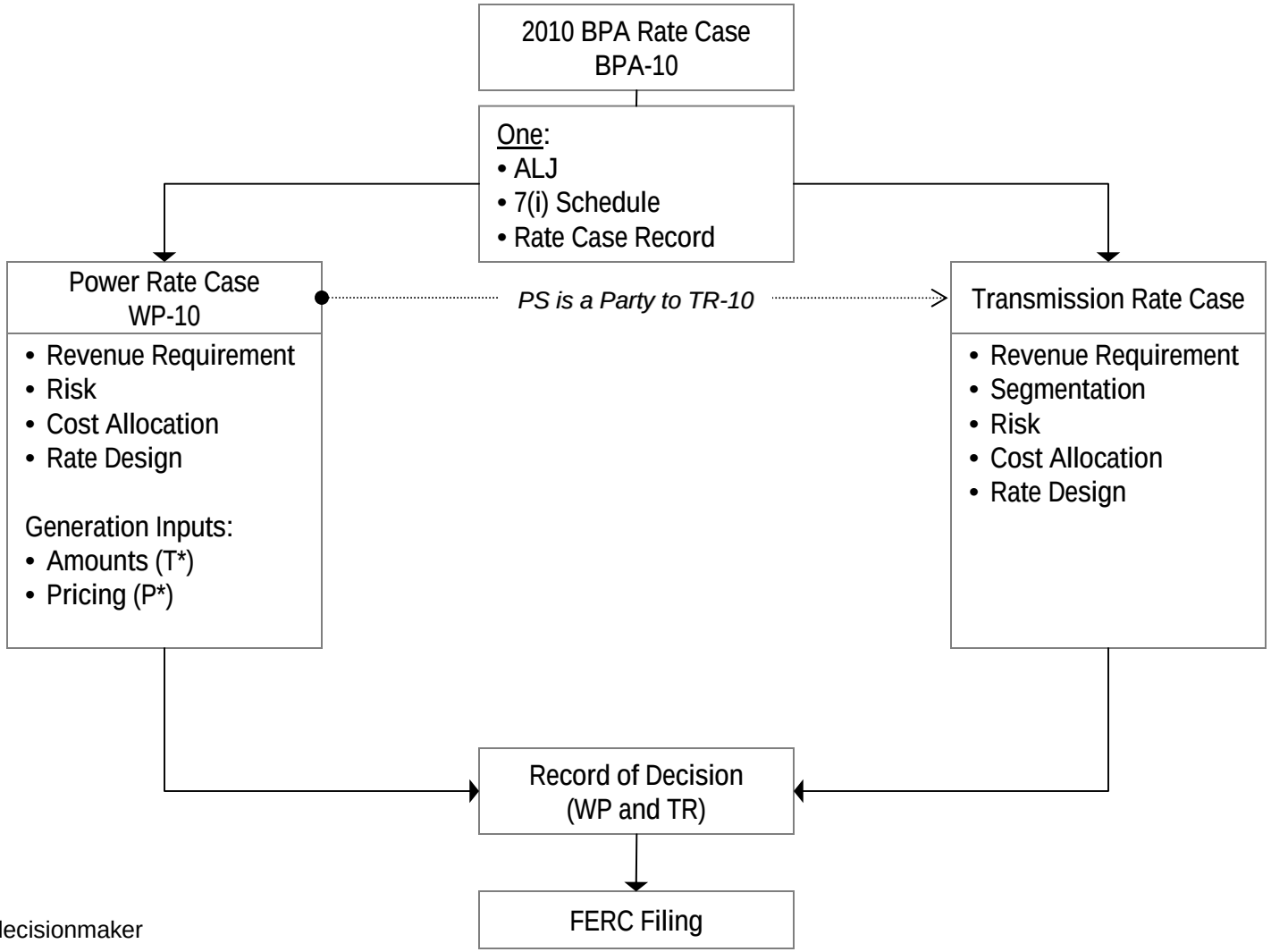
2010 Rate Case
Power Rates (WP-10) Customer Workshop

October 28, 2008

2010 Rate Case Schedule

Event	Date	Year
Power Rate Case (WP-10) Internal Schedule:		
• Loads and Resources, Risk Revenue Requirement, Average System Cost, Rate Design	October 1 – November 18	2008
• Final Iteration/Revenue Forecast	December 10	2008
• Initial Proposal Rates	December 19	2008
7(i) Process (WP-10 / TR-10):		
• FRN Published (Ex Parte)	January 28	2009
• Prehearing Conference	February 10	2009
• Parties File Direct Case	March 13	2009
• Litigants File Rebuttal Case	April 10	2009
• Cross Examination	May 4 – May 8	2009
• Oral Argument	June 3	2009
• Draft ROD	June 19	2009
• Final ROD / Studies	July 17	2009
• File at FERC	July 30	2009
• RATES EFFECTIVE	October 1	2009

2010 Rate Case 7(i) Process



T* / **P*** denotes decisionmaker

Revenue Requirement

Revenue Requirement Assumptions

- FY 2010-2011 program spending levels are consistent with data presented in Integrated Program Review (IPR) workshops.
- FY 2010-2011 capital investments are consistent with the IPR workshops.
- Most significant updates since the IPR:
  - Depreciation updated for FY 2008 Corps of Engineers and Bureau of Reclamation actual plant-in-service
  - Revised repayment study
- Changes to be expected in the Initial Proposal:
  - Updates for final IPR expense and capital decisions.
  - Updates for actual FY 2008 results, e.g., borrowing/appropriations, BPA investments, PS ending reserves.
  - Adjustments to ensure consistency with other forecasts (e.g. power purchases) and studies (e.g. risk analysis).
  - Shift a portion of amortization from FY 2010 to FY 2011 to reduce or eliminate Minimum Required Net Revenues (MRNR).

Generation Revenue Requirement
Income Statement

		A 2010	B 2011	Amortization Shift C 2010	Amortization Shift D 2011
1	OPERATING EXPENSES				
2	POWER SYSTEM GENERATION RESOURCES				
3	OPERATING GENERATION RESOURCES	581,789	693,804		
4	OPERATING GENERATION SETTLEMENT PAYMENTS	21,328	21,754		
5	NON-OPERATING GENERATION	2,618	2,728		
6	CONTRACTED POWER PURCHASES	298,315	405,527		
7	RESIDENTIAL EXCHANGE PROGRAM				
8	RENEWABLE AND CONSERVATION GENERATION	128,676	130,160		
9	TRANSMISSION ACQUISITION AND ANCILLARY SERVICES	176,393	177,043		
10	POWER NON-GENERATION OPERATIONS	82,793	86,650		
11	F&W/ENVIRONMENTAL REQUIREMENTS	263,541	270,618		
12	GENERAL AND ADMINISTRATIVE	67,414	68,278		
13	OTHER INCOME, EXPENSES AND ADJUSTMENTS	1,800	3,600		
14	NON-FEDERAL DEBT SERVICE	554,799	570,605		
15	DEPRECIATION AND AMORTIZATION	197,602	209,597		
16	TOTAL OPERATING EXPENSES	2,377,068	2,640,364		
17	INTEREST EXPENSE:				
18	INTEREST ON FEDERAL INVESTMENT-				
19	APPROPRIATED FUNDS	223,722	228,958	223,722	228,741
20	BONDS ISSUED TO U.S. TREASURY	65,751	76,233	65,751	78,285
21	INTEREST CREDIT ON CASH RESERVES	(60,726)	(61,449)	(59,018)	(59,582)
22	AMORTIZATION OF CAPITALIZED BOND PREMIUMS	185	185	185	185
23	CAPITALIZATION ADJUSTMENT	(45,937)	(45,937)	(45,937)	(45,937)
24	ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION	(10,800)	(10,200)	(10,800)	(10,200)
25	**NET INTEREST EXPENSE**	**172,195**	**187,790**	**173,903**	**191,492**
26	TOTAL EXPENSES	2,549,263	2,828,154	2,550,971	2,831,856
27	**MINIMUM REQUIRED NET REVENUES 1/**	**26,423**	**0**	0	220
28	PLANNED NET REVENUES FOR RISK				
29	TOTAL PLANNED NET REVENUES (27+28)	26,423	0	0	220
30	**TOTAL REVENUE REQUIREMENT**	**2,575,686**	**2,828,154**	**2,550,971**	**2,832,076**
				(24,715)	3,923

1/ SEE NOTE ON CASH FLOW STATEMENT

Generation Revenue Requirement
Statement of Cash Flows

	(in $ thousands)	A 2010	B 2011	Amortization Shift C 2010	Amortization Shift D 2011
1	CASH FROM OPERATING ACTIVITIES				
2	MINIMUM REQUIRED NET REVENUES 1/	26,423	0	0	220
3	NON-CASH ITEMS:				
4	DEPRECIATION AND AMORTIZATION	197,602	209,597		
5	AMORTIZATION OF CAPITALIZED BOND PREMIUMS	185	185		
6	CAPITALIZATION ADJUSTMENT	(45,937)	(45,937)		
7	ACCRUAL REVENUES	(3,524)	(3,524)		
8	CASH PROVIDED BY OPERATING ACTIVITIES	174,749	160,321		
9	CASH FROM INVESTMENT ACTIVITIES:				
10	INVESTMENT IN:				
11	UTILITY PLANT (INCLUDING AFUDC)	(138,000)	(166,000)		
12	CONSERVATION	(47,600)	(47,600)		
13	FISH & WILDLIFE	(70,000)	(60,000)		
14	CASH USED FOR INVESTMENT ACTIVITIESS	(255,600)	(273,600)		
15	CASH FROM BORROWING AND APPROPRIATIONS:				
16	INCREASE IN BONDS ISSUED TO U.S. TREASURY	167,600	177,600		
17	REPAYMENT OF BONDS ISSUED TO U.S. TREASURY	(174,749)	(90,000)	(144,749)	(90,000)
18	INCREASE IN FEDERAL CONSTRUCTION APPROPRIATIONS	88,000	96,000		
19	REPAYMENT OF FEDERAL CONSTRUCTION APPROPRIATIONS	0	(43,541)	(3,000)	(70,541)
20	PAYMENT OF IRRIGATION ASSISTANCE	0	0		
21	CASH PROVIDED BY BORROWING AND APPROPRIATIONS	80,851	140,059	107,851	113,059
22	ANNUAL INCREASE (DECREASE) IN CASH	0	26,780	577	0
23	PLANNED NET REVENUES FOR RISK	0	0		
24	TOTAL ANNUAL INCREASE (DECREASE) IN CASH	0	26,780		

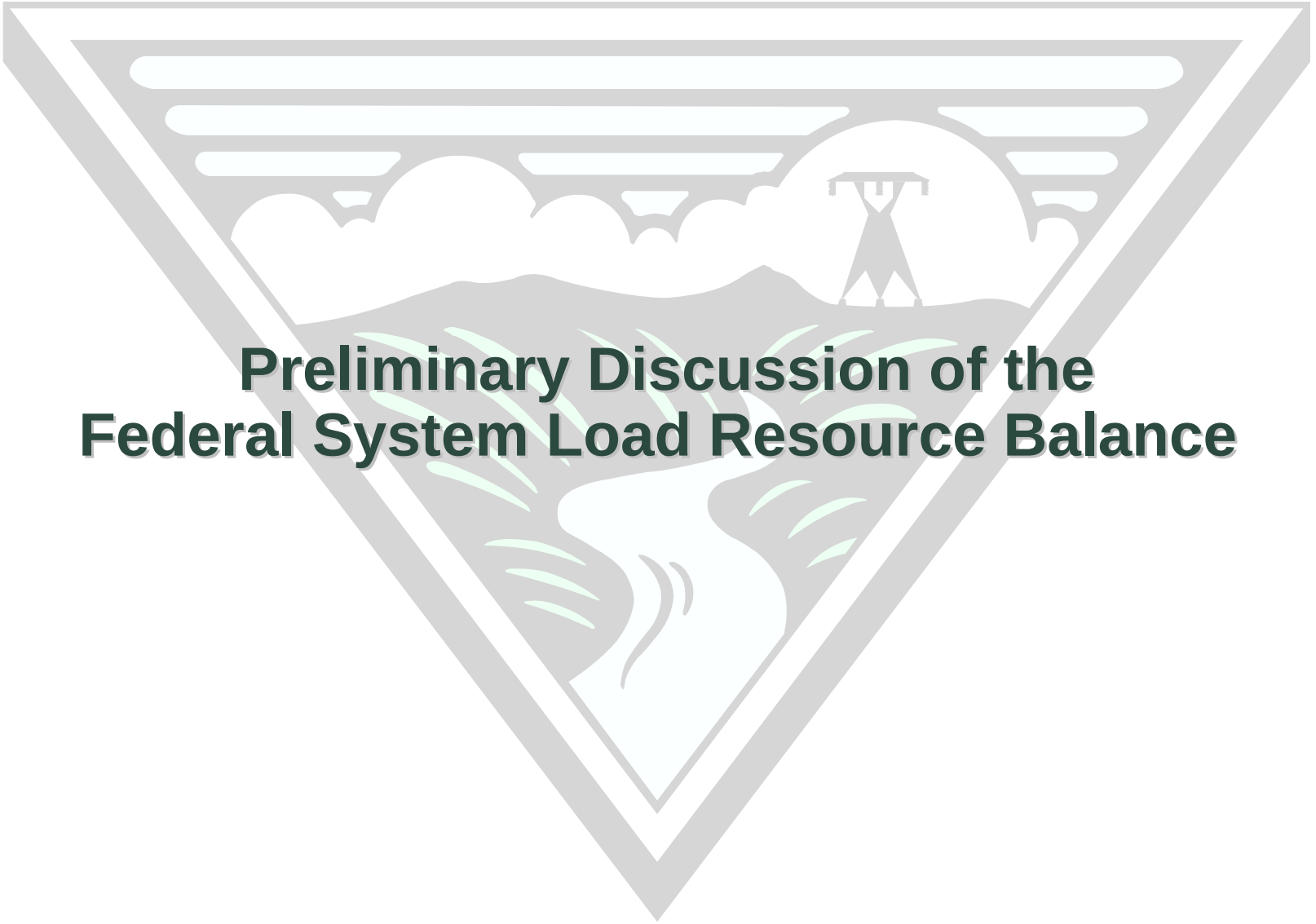
1/ Line 22 must be greater than or equal to zero, otherwise net revenues will be added so that there are no negative cash flows for the year.

Repayment Study

- BPA is updating the repayment study interface:
  - BPA is moving from a Munex-based system to a DBC-based system for its debt management database needs.
  - The repayment study model is being recoded to function with the DBC software.
  - BPA's repayment study methodology will not change.
  - The new model will be modified so that it can incorporate the full range of possible call terms available for BPA's Federal debt.
  - The new model will be subject to intensive tests including comparisons with Munex output, ensuring matching output from the new model.
  - BPA hopes to complete the project so that the new interface can be used in the Initial Proposal. If that is not feasible, we expect to use it for the Final Proposal.

Repayment Study (continued)

- Replacements:
  - With the advent of the asset management program, capital program planning has a longer-term view.
  - The purpose of the Direct Funding capital program is replacement of hydroelectric generation equipment.
  - We anticipate using the business unit-determined data in the Initial Proposal.
  - At this time, we do not anticipate changing the Columbia Generating Station (CGS) replacement assumption.



Preliminary Discussion of the Federal System Load Resource Balance

Comparison Public Power Sales Contract Obligations

WP-10 Initial Rate Case - WP-07 Final Supplemental Rate Case
Assumes no Additional BPA Funded Conservation Reductions
Energy in aMW

Energy in aMW	WP-07 Supplemental Rate Case			Preliminary WP-10 Rate Case		Difference	
	2009	2010	2011	2010	2011	2010	2011
Full	2110	2152	2187	2171	2219	18	32
Partial	1555	1606	1644	1569	1614	-37	-30
Block	616	616	616	616	616	0	0
Slice Block	1157	1157	1157	1164	1164	7	7
Slice Resource	1633	1658	1613	1634	1589	-24	-24
Presubscription & Irrigation Rate Mitigation	383	382	391	386	390	5	-1
Total Public Sales	7454	7571	7608	7540	7592	-31	-16
Annual Load Growth of Total Public Sales	n/a	1.6%	0.5%	1.1%	0.7%	n/a	n/a

- Load Forecast Methodology:
  - Preliminary WP-10 Rate Case uses BPA's Agency Load Forecasting Tool (ALF). WP-07 Supplemental Rate Case used BPA's spread sheet load forecasting model.
- Load forecast from the ALF tool is also used for the TR-10 Rate Case.

Loads – Federal System
PNW Loads and Resources Study
1937 Water Conditions

Energy in aMW	Pre-Decisional 2010 Rate Case (Study 55)		2007 Supplemental Rate Case (Study 51)		Difference (Study 55 - Study 51)	
	2010	2011	2010	2011	2010	2011
Non-Utility Obligations						
Fed. Agencies 2002 PSC	124	125	143	145	-20	-20
USBR 2002 PSC	165	165	160	160	5	5
DSI 2002 PSC	0	0	0	0	0	0
Total Firm Non-Utility Obligations	***289***	***290***	***304***	***305***	***-15***	***-15***
Transfers Out						
NGP 2002 PSC	3333	3398	3274	3320	59	78
GPU 2002 PSC	2325	2334	2367	2373	-43	-39
NGP 2002 Slice PSC	613	596	621	605	-9	-9
GPU 2002 Slice PSC	1020	992	1035	1007	-15	-15
IOU 2002 PSC	0	0	0	0	0	0
Exports	680	641	683	652	-4	-11
Regional Transfers (Out)	422	392	422	392	0	0
Federal Diversity	0	0	0	0	0	0
Total Transfers Out	***8393***	***8353***	***8403***	***8349***	***-10***	***4***

Resources – Federal System
PNW Loads and Resources Study
1937 Water Conditions

Energy in aMW	Pre-Decisional 2010 Rate Case (Study 55)		2007 Supplemental Rate Case (Study 51)		Difference (Study 55 - Study 51)	
	2010	2011	2010	2011	2010	2011
Hydro Resources						
Regulated Hydro	6487	6493	6597	6604	-110	-111
Independent Hydro	403	403	394	394	9	9
Operational Peaking Adj.	0	0	0	0	0	0
Non-Fed CER (Canada)	139	140	139	140	0	0
Total Hydro Resources	***7029***	***7037***	***7130***	***7138***	***-101***	***-101***
Other Resources						
Small Thermal & Misc.	0	0	0	0	0	0
Combustion Turbines	0	0	0	0	0	0
Renewables	89	89	89	89	0	0
Cogeneration	0	0	0	0	0	0
Imports	182	175	182	175	0	0
Regional Transfers (In)	205	184	205	184	0	0
Large Thermal	1030	784	1030	784	0	0
Non-Utility Generation	26	26	26	26	0	0
Augmentation Purchases	372	598	297	509	75	90
Augmentation Resources	0	0	0	0	0	0
Total Other Resources	***1904***	***1857***	***1829***	***1767***	***75***	***90***
Total Resources	***8933***	***8894***	***8960***	***8905***	***-27***	***-12***
Reserves & Maintenance						
Federal Trans. Losses	-252	-251	-253	-251	1	0
Total Reserves, Maint. & Losses	***-252***	***-251***	***-253***	***-251***	***1***	***0***
Total Net Resources	***8681***	***8643***	***8707***	***8654***	***-26***	***-11***
Total Firm Surplus/Deficit	***0***	***0***	***0***	***0***	***0***	***0***

Federal System Hydro Resources
Difference Between Critical, 50 Water Year Average and 70 Water Year Average

Energy (aMW)	Oct	Nov	Dec	Jan	Feb	Mar	1-Apr	16-Apr	May	Jun	Jul	1-Aug	16-Aug	Sep	Avg
1937 Water Conditions	6439	8062	7273	7355	6503	5512	4809	5636	8472	7257	7142	7694	6478	6358	6890
50 WY Average	6656	7836	8931	10216	9794	8900	8850	10250	11855	10436	9797	8293	6789	6687	9017
70 WY Average	6636	7944	8852	10195	9831	9067	8858	10305	11818	10339	9741	8224	6700	6590	9005

NFB Mechanisms in the 2010 Rate Case

NFB Mechanisms in the 2010 Power Rate Case

- Tentative plan: include both NFB mechanisms in FY 2010-2011 rates.
- The NFB Adjustment would allow for increasing the cap on a CRAC applicable to FY 2010 (or FY 2011) rates if an NFB Trigger Event occurs in FY 2009 (or FY 2010).
- The Emergency NFB Surcharge could raise additional revenue in FY 2010 (or FY 2011) if an NFB Trigger Event occurs in that year ***and*** BPA is in a cash crunch in the same year.
- BPA is considering whether to expand the definition of Trigger Event to include other risks in the F&W arena that are comparable to the FCRPS BiOp litigation risks covered by the original NFB mechanisms.