FY 2006 FB CRAC True-up

December 14, 2005

Rates Workshop

FB CRAC True-up

- Based on Audited Actual Modified Net Revenues (AAMNR) for FY 2005, BPA will adjust the FY 2006 Financial-Based CRAC downward to account for an increase in FY 2005 MNR of approximately $24 million relative to the Forecast amount used when the Financial-Based CRAC was originally set.

- The FB CRAC true-up will affect power rates for April 1, 2006, through September 30, 2006.

- The original FB CRAC amount (including Slice) to be collected in FY 2006 was $59M ($38M non-Slice). The revised FB CRAC amount to be collected for FY 2006 is $34M ($22M non-Slice).

- The resulting FB CRAC rate will be lowered from 4.41 percent to .45 percent for April – September 2006. The annual average FB CRAC is 2.43 percent.

- The average annual adjustment to the PF, non-Slice rate is 30.64 percent. This results in a 3.1 percent reduction in FY 2006 rates compared to FY 2005. The reduction in August/September was 1.6 percent.

FB CRAC True-up Drivers of Change

1	**FY 2005 August 9th Rates Model Power Modified Net Revenue (set rates)**	**$ 126**
2	**Changes in Net Secondary Revenues**	
3	Increase due to slightly higher market prices for August and September	$ 5
4	**Changes in Other Revenue**	
5	Decrease in Slice true-up to reflect the cost reductions and credit increases	$ (2)
6	Increase in 4(h)(10)(C) Credit - due to purchases in Aug and Sept not forecasted in 3rd Qtr Review	$ 4
7	Increase in Energy Efficiency - added revenue accrual to forecast	$ 4
8	Increase - due to contract renegotiation and cash out	$ 11
9	**Changes in Expenses**	
10	Decrease in O&M - (i.e. security costs originally budgeted but were appropriated instead, and rebate for Neil insurance)	$ 10
11	Decrease in Transmission Acquisition and Ancillary Services	$ 5
12	Decrease in Renewables and F&W Direct Program Funding	$ 5
13	Other Income, Expenses, Adjustments	$ 4
14	Increase in Non-Federal Debt Service and Depreciation expense	$ (13)
15	**Miscellaneous**	$ (9)
16	**FY 2005 Audited Actuals Power Modified Net Revenue**	**$ 150**

$24M change to FB CRAC true-up

FB CRAC True-up Calculation

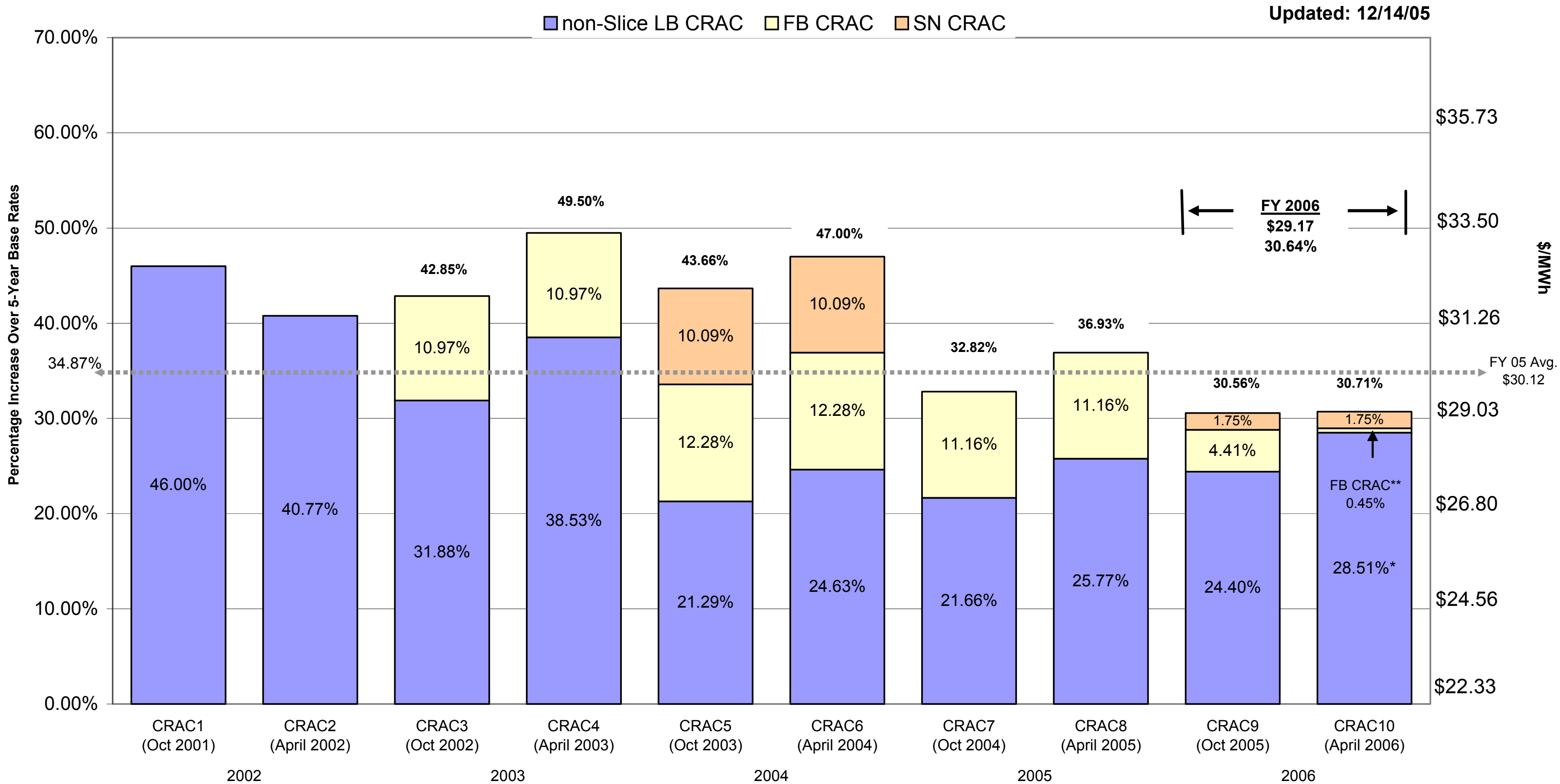
1	**September Final FB CRAC**		
2			
3	FB CRAC Amount (Before Slice)	$	58,651,688
4	FB CRAC Amount (After Slice)	$	38,419,695
5	FB CRAC Percentage		4.41%

6	**December FB CRAC True-up**		
7			
8	**Change in MNR (Audited Actual Modified Net Revenues (AAMNR))**	**$**	**24,344,000**
9			
10	Revised FB CRAC Amount (Before Slice)	$	34,307,688
11	FB CRAC Amount (After Slice)	$	22,473,197
12	Corrected Annual FB CRAC Annual Percentage Adjustment		2.57%
13			
14	True Up Amount		15,946,499
15			
16	FB CRAC Revenue Basis (Oct-Sept)	$	874,478,600.00
17	FB CRAC Revenue Basis (April - Sept)	$	402,260,156.00
18	FB CRAC True-up Adjustment		3.96%
19			
20	**Revised FB CRAC**		**0.45%**
21	**Revenue Collected in CRAC 10**	**$**	**1,949,102**

22	**CRAC 10 Period Rate Adjustment**	**September (CRAC 10)**	**December (CRAC 10)**
23	LB CRAC (non-Slice)	28.51%	28.51%
24	Revised FB CRAC	4.41%	0.45%
25	SN CRAC	1.75%	1.75%
26	Total Adjustment to Rates	34.67%	30.71%
27	May 2000 Base Rates-Adjusted	$ 30.07	$ 29.19

Rates Chart- CRAC 10

FY 2006 PF-02 non-Slice Adjusted Rates



FY06 Rates Compared to FY05: -3.1%

Workshop Q&A Response (NEW)

FB CRAC Drivers of Change Follow-Up Questions

Q. Please describe in more detail what line #8 "Increase – due to contracts renegotiation and cash out $11M" is.

A. This $11 M change is due to two main events that happened in FY05. The first was the cash out of an exchange contract where instead of returning the energy to BPA the party opted to pay for it (~$3M). The second was a settlement contract that was being accrued from 1997 to 2013 and was terminated in 2005. The settlement fee was originally paid to BPA in 1997 and BPA was recognizing that fee over the life of the contract until it was terminated and then the rest of the amount left to recognize was booked in FY2005 (~$7M).

Q. Please describe in more detail what line #14 "Increase in Non-Federal Debt Service and Depreciation expense ($13M)" is.

A. The $13 M change in expenses is due to two primary events. The first is due to the Trojan debt service forecast on Aug. 9th that was simply an error resulting from an analysis/forecast based on EWEB fiscal years instead of BPA fiscal years (~$5M). The second is an increase in Corps project Depreciation. This was a DOD IG audit adjustment which resulted in an adjustment from prior years being booked in FY 2005 (~$8M).