

What Happened Since Financial Choices That Led to a Projected Net Revenue Loss of about \$900M for FY02-06?

BPA Power Net Revenues Very Rough Estimates

Line		Dollars in Millions	
1	FY02-06 Net Revenue Gap (from August 2002 with FY02 Actuals)		(\$1,200)
2	1. <i>Actions Already Taken To Reduce Overall Rates</i> (e.g., <i>Expense Reductions, Expense Deferrals & Cash Increases</i>)	\$350	+
3	2. <i>Additional Revenue if FY04-06 Rates Kept at FY02 Level</i> (Estimated)		+\$550
4	New Net Revenue Gap - FY02-06		=\$(\$350)
	<u>Additional Actions that Reduce Overall Rates & Close the Gap</u>	<u>Additional Potential Cost Reductions - PBL</u>	<u>Achieved or Close</u>
5	Settlement of Litigation over IOU Residential Benefits	\$200	+
6	More Cost Effective Fish Recovery Program (\$160M total)	\$80	+
7	Additional Power Resource O&M Cost Reduction	\$50	+
8	Power Resource Contract Renegotiation	\$30	+
9	Additional Overall Debt Service Reduction	\$140	+
10	Subtotal	\$500	=
11	New Net Revenue Gap - FY02-06		=\$(\$270)
12	Additional Losses in FY03 Due to Reduced Hydro Supply & Other Changes (Estimated)		+\$200
13	Changes in 4(h)(10)(C) and FCCF Fish Credits (Estimated)		+\$100
	Reduction in Hydro Supply in FY04 Due to Below-Average Hydro Conditions in FY03		
	Reduction in Secondary Revenue Forecast for FY04-06, and		
14	Other Changes (Estimated)		+\$550
15	New Net Revenue Gap - FY02-06		=\$(\$920)

Expense Reductions, Expense Deferrals & Cash Increases

Expense Reductions & Deferrals Only

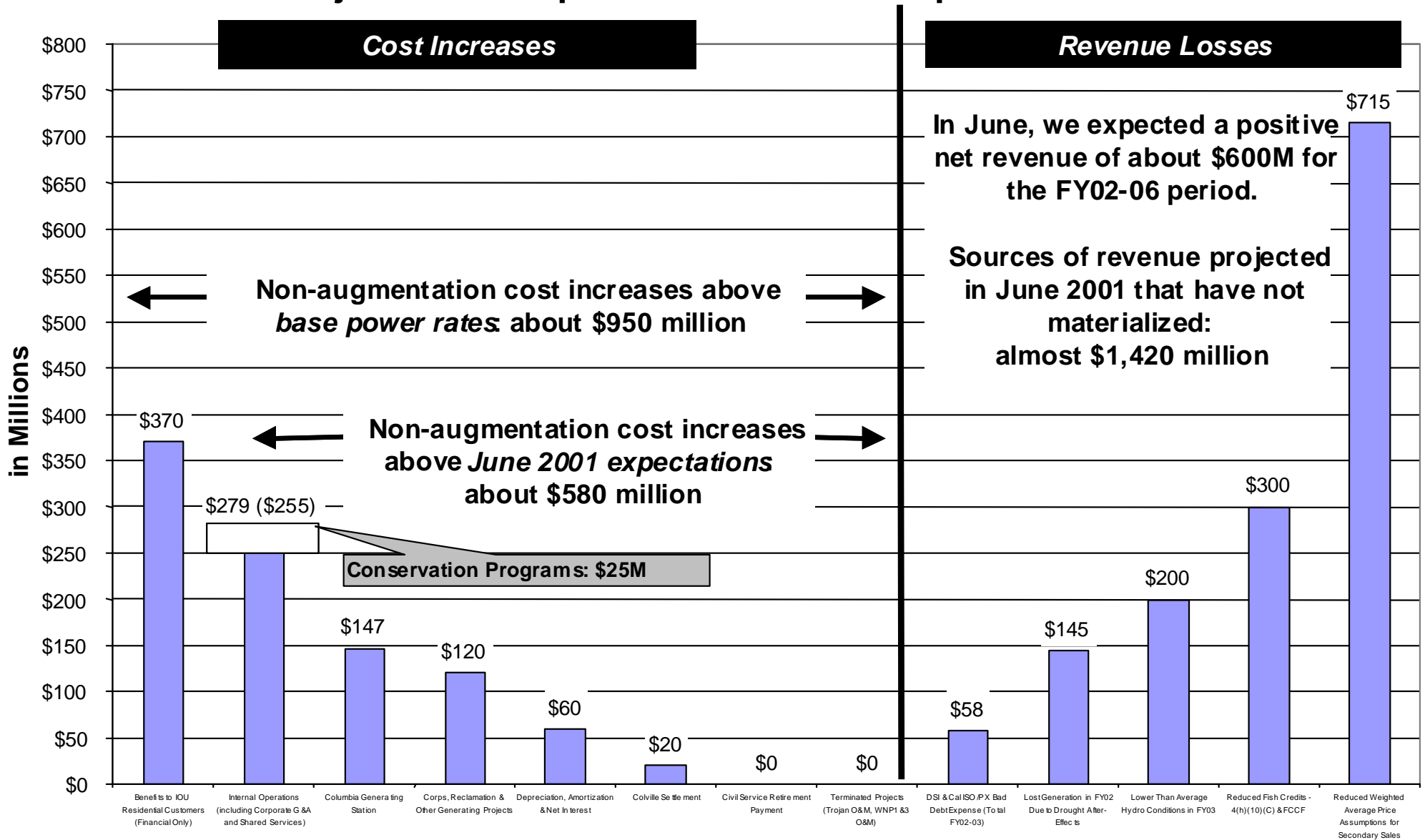
We embedded \$80M in our analysis already - we have a goal of another \$80M left to secure per Steve Wright's letter



Figure 1

Why is the PBL Losing Money?

Current Projections Compared to June 2001 Expectations - 5 Year Totals



Note: Expense levels above are net of offsetting revenues occurring over the FY02-06 period & non-operating risk included in the rate case.



Figure 2

**Why are Rates Higher Today than Over the Last Rate Period?
Total Pressure: Almost \$5.3 Billion
5 Year Totals**

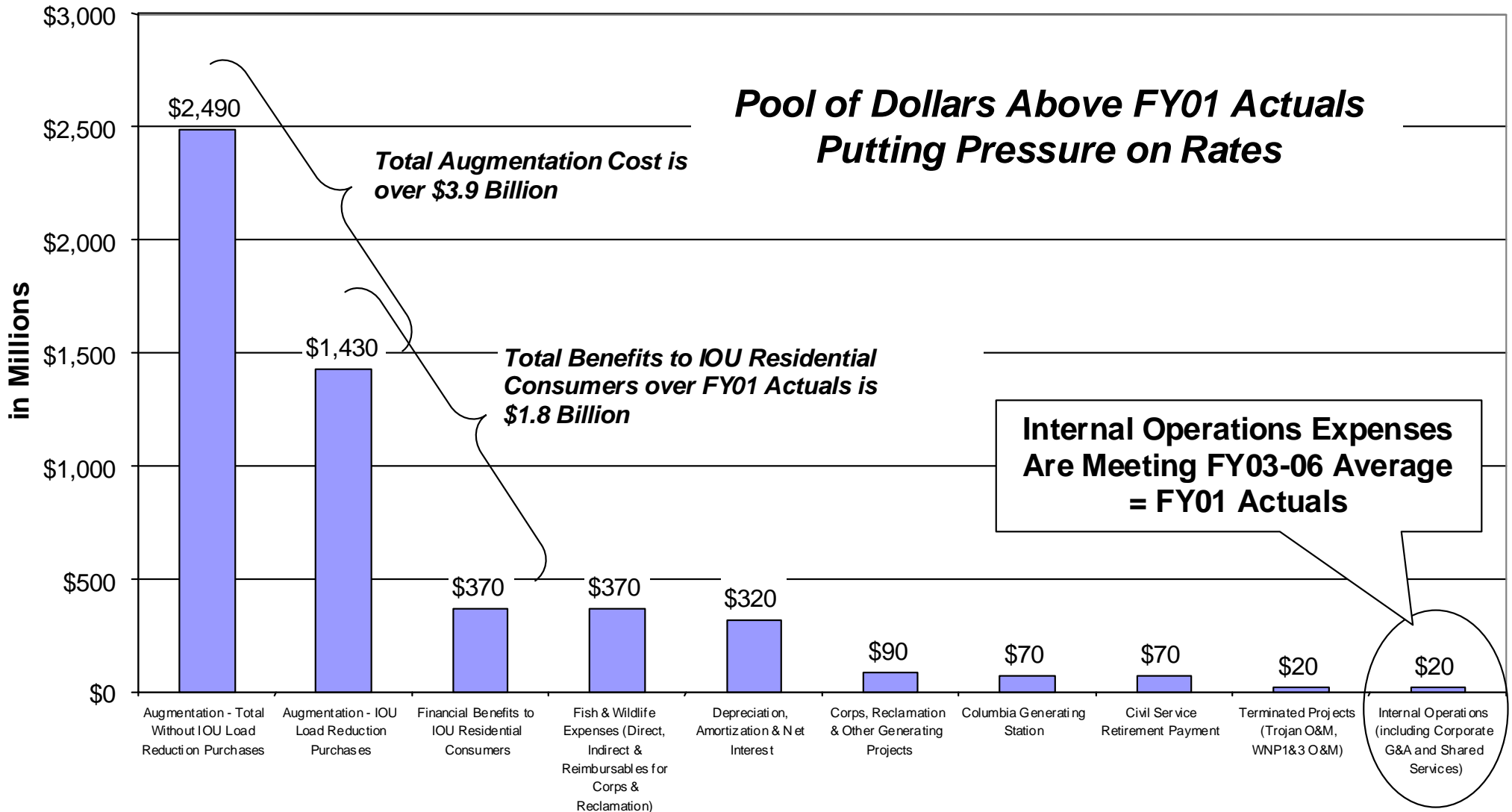
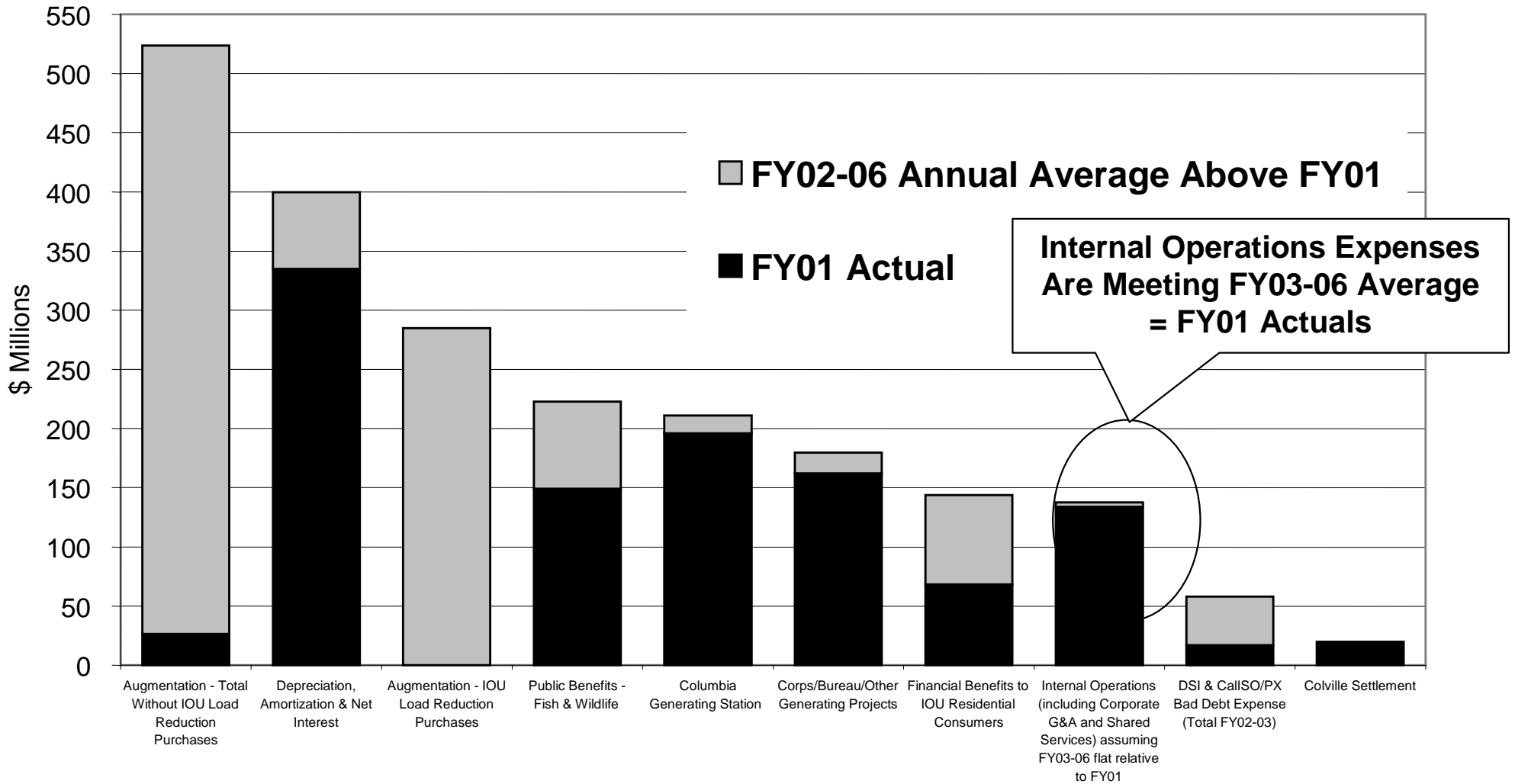




Figure 3
FY01 Actual Annual Expense Levels &
Average Annual FY02-06 Expense Levels Over FY01 Actuals



Note: Expense levels above are net of offsetting revenues occurring over the FY02-06 period.