

August 29, 2002

Bonneville Power Administration

Power Business Line

Generation Accumulated Net Revenues Forecast for Financial-Based Cost Recovery Adjustment Clause (FB CRAC)

FY 2002 Third Quarter Review Forecast

\$ in Millions

	FY 2002 Forecasted Second Quarter Results	FY 2002 Forecasted Third Quarter Results
FY 2000 FB CRAC Audited Net Revenues	\$170	\$170
FY 2001 FB CRAC Audited Net Revenues	(\$418)	(\$418)
FY 2002 Unaudited Quarterly Forecasted Net Revenues	\$70	(\$95)
<i>Energy Northwest Debt Service Adjustment for FY 2002</i>	(\$375)	(\$272)
<i>SFAS 133 Adjustment</i>	(\$1)	(\$22)
FY 2002 Unaudited Quarterly Forecasted Accumulated Net Revenues	(\$554)	(\$637)
FB CRAC FY 2002 Trigger Point	(\$408)	

FY 2001 August ANR Trigger Point was (\$386 M).

FY 2003 August ANR Trigger Point is (\$265 M)

As provided for in the 2002 Power Rate Proposal General Rate Schedule Provisions (GRSPs), Bonneville is issuing this announcement to notify customers and rate case parties that our preliminary calculations indicate the generation function Accumulated Net Revenues (ANR) at the end of FY 2002 are forecasted to fall below the Financial-Based Cost Recovery Adjustment Clause (FB CRAC) threshold for FY 2002. Based on this forecast, Bonneville will likely adjust rates using the FB CRAC provisions beginning on October 1, 2002. Bonneville will conduct a public forum/workshop to explain the forecast and calculations, and demonstrate that the implementation is in accordance with the GRSPs. Bonneville will take public comments through September 13, and issue the final determination and calculation by September 30.

1. What does this table mean?

The table above shows the generation function's audited actual net revenues for FY 2000 and 2001 (resulting in accumulated net revenues at the end of FY 2001 of negative (\$248 million); the forecast of end-of-FY 2002 generation function net revenues; the resulting forecast of ANR; and the FB CRAC threshold amount. The **Revenue Amount** (the amount to be collected through an FB CRAC during FY 2003) is the lower of \$135 million or the difference between the threshold and the forecast of ANR. Therefore, as the table demonstrates, the Revenue Amount to be collected for FY 2003 is \$135 million.

2. How will the FB CRAC be applied to my rates?

The **FB CRAC Percentage** (percentage increase in customers' rates in each of the firm power rate schedules) is the **Revenue Amount** (\$135 million) divided by the **FB CRAC Revenue Basis**. The **FB CRAC Revenue Basis** is the total generation revenue (not including LB CRAC) for the loads subject to FB CRAC plus Slice loads, for the year in which the FB CRAC implementation begins, based on the then most current revenue forecast. The Revenue Basis for FY 2003 is \$1,201 M based on BPA's most current FY 2003 revenue forecast.

This will likely result in a FB CRAC percentage increase of 11.24 over May 2000 base rates. Over the past year there have been six-month rate adjustments, both downward and upward with the sum of the various adjustments tending to cancel each other out. Thus, even if the FB CRAC triggers at the maximum, total rates will be about the same as they averaged throughout FY 2002.

Each non-Slice product's total charge for energy, demand, and load variance (for loads subject to the FB CRAC) will be increased by the FB CRAC percentage amount.

3. What is the impact of refinancing ENW debt and SFAS 133?

When the FB CRAC calculation was developed it took into account the effects of refinancing Energy Northwest Debt and SFAS 133 (Statement of Financial Accounting Standard). When ENW debt is refinanced, the proceeds are used to pay off federal debt early, thus having no impact on cash. Because of the way federal and non-federal debt are included in the Income Statement, the FB CRAC equation keeps the debt neutral by keeping the same ENW debt service amount in the calculation that was in the rate case. This way, any time BPA refinances the ENW debt, it will not be reflected in the FB CRAC calculation.

SFAS 133 has also been excluded from the FB CRAC calculation, as it is not associated with rates. Instead it is a reporting requirement of the FASB (Financial Accounting Standards Board).

4. What assumptions went into the FY 2002 end of year net revenue forecast?

- The generation function ANR for end of FY 2001 was determined and confirmed in the audit of Bonneville's FY 2001 financials.
- The forecast of generation function net revenues for FY 2002 is based on actual revenues and expenses accrued for October 2001 through July 2002, and forecasted revenue and expense accruals for August 2002 and September 2002.
- The forecast of accrued expenses assumes:
 - i. FY 2002 Slice true-up
 - ii. Majority of FY 2002 DSI liquidated damages assigned to a bad debt expense account
 - iii. Booked LB CRAC true-up from the Jan-Mar time frame in FY 2002