

factsheet

July 2006

WP-07 power rates

On July 17, 2006, BPA issued a record of decision for the 2007 wholesale power rate case. At the same time, BPA issued its Power Rate Schedules and the associated General Rate Schedule Provisions (GRSPs).

There are four posted power rate schedules: Priority Firm (PF-07), New Resource (NR-07), Industrial Power (IP-07) and Firm Power and Products and Services (FPS-07) rates. There is also a General Transfer Agreement Delivery Charge (GTA).

- PF-07 rate is available to Pacific Northwest preference customers, which are the public utilities, co-ops, municipalities and federal agencies the agency is required to serve under the Pacific Northwest Electric Power Planning and Conservation Act of 1980. The PF rate schedule includes several rates, including Slice and PF exchange.
- FPS-07 is the rate schedule BPA uses to market surplus energy and/or capacity, either inside or outside the region. This is a flexible, negotiated rate.
- The NR-07 rate is available to investor-owned utilities to serve net requirements and new resource loads and to publics for new large single loads. BPA is not forecasting any sales under the NR-07 rate schedule.
- The IP-07 rate is applicable to direct-service industrial customers (DSIs).
- BPA is not forecasting any sales under the IP-07 rate schedule.
- The GTA Delivery Charge is set equal to the Transmission business unit low-voltage delivery charge. For FY 2008 and 2009, the rate will be adjusted to the most current Transmission Utility Delivery rate under Transmission's Transmission & Ancillary Service Rate Schedules.

There are no changes in the 2007 Rate Schedules to the basic rate structure of the 2002 Rate Schedules. Billing determinants have not changed. There continue to be monthly heavy load hour and light load hour energy rates, monthly demand rates and a single load variance rate.

PF Rate

The product list under the PF rate schedule remains the same as was offered in 2002: Full Service; Actual Partial Service – Simple and Complex; Block; Block with Factoring; Block with Shaping Capacity; Slice and PF Exchange Power.

The base rate, or posted rate, is the rate before any Cost Recovery Adjustment Clause, Dividend Distribution Clause or Emergency NFB Surcharge (see below) adjustments are added or subtracted for actual Power financial conditions. The three-year average posted rate for the rate period, assuming average load shape across the months of a year and within a day, is equal to \$27.33 per megawatt-hour.

The effective rate in any year is the combination of the posted rates (demand, energy, and load variance) and any of the adjustment factors that are in effect that year.

Depending on Power's financial performance, the posted rates can change via a downward rate adjustment referred to as the Dividend Distribution Clause (DDC) or an upward rate adjustment called the Cost Recovery Adjustment Clause (CRAC), neither of which applies to the Slice rate. Both of these adjustments are backward looking/forward adjusting. In



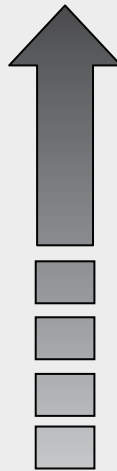
other words, the financial results of FY 2007 would determine if there is a rate increase/decrease in FY 2008.

The Cost Recovery Adjustment Clause (CRAC) has a \$300 million cap (subject to changes made by the NFB Adjustment, see below).

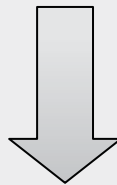
The rate schedules also include two additional cost recovery mechanisms devoted exclusively to increased costs for fish recovery efforts due to the current litigation over the 2004 Federal Columbia River Power System Biological Opinion. They are the

FY 2007-2009 Risk Mitigation

- Emergency NFB Surcharge – allows the agency to recover fish and wildlife costs within the year they are incurred with an additional requirement that the agency's Within-year Treasury Payment Probability is below 80 percent.
- NFB Adjustment – can raise the \$300 million CRAC cap an amount by an amount equal to the financial effects of a prescribed set of additional fish recovery actions resulting from the litigation over the FCRPS 2004 biological opinion.
- CRAC – triggers off Power's financial performance as measured by Accumulated Modified Net Revenue (AMNR) and will raise the rate in the subsequent year. Capped at \$300 million per year.
- DDC – triggers off Power's AMNR and will lower the rate in the subsequent year.



Base Rate



What's changed:

- For the first time BPA is meeting its TPP objective set in 1993.
- One CRAC versus three CRACs.
- Shorter rate period.
- CRAC is larger, triggers at an AMNR reserve equivalent of \$750M in reserves.
- New adjustment mechanisms to recover future FCRPS Bi-Op costs.

What's the same:

- CRAC is a formula based calculation.

Terminology

The base rate, or posted rate, is the rate before any DDC, CRAC or Emergency NFB Surcharge adjustments are added or subtracted for actual Power financial conditions.

The effective rate in any year is the combination of the posted rates (demand, energy, and load variance) and any of the adjustment factors that are in effect that year.

Accumulated Modified Net Revenue (AMNR) is the sum of the annual modified net revenue calculations since the end of FY 1999.

National Marine Fisheries Service Federal Columbia River Power System Biological Opinion Adjustment (NFB Adjustment) and the Emergency NFB Surcharge.

The NFB Adjustment allows the CRAC cap of \$300 million to increase by an amount equal to the financial effects of a prescribed set of additional fish recovery actions resulting from the litigation over the FCRPS 2004 biological opinion. The increase would only be collected if the CRAC threshold (a predetermined triggering value) is met and revenues are needed beyond the \$300 million cap. Because of the CRAC's design, the adjustment would be collected in the year after the financial effect occurs.

The Emergency NFB Surcharge, unlike the NFB Adjustment, allows the agency to recover fish and wildlife costs during the year in which they are incurred if the agency's Within-year Treasury Payment Probability (Within-year TPP) falls below 80 percent. The methodology for determining the agency's Within-year TPP will be developed through a public process that will begin no later than 120 days from August 1, 2006.

FPS rate

The FPS-07 rate schedule succeeds the FPS-96R rate schedule. The FPS-96R is used primarily for the sale of surplus firm power and related products. The GRSPs contain a provision that BPA will voluntarily agree to limit the price of any sale under the FPS rate schedule to the applicable westwide price cap, if any, established by the Federal Energy Regulatory Commission.

Other Rate Adjustments

The Flexible PF rate option allows customers and BPA to negotiate a different revenue stream than would have occurred had the appropriate charges specified in the appropriate rate schedule been applied to the same sales. This rate option is used to implement the Flexible PF Rate Program.

The Low Density Discount (LDD) helps mitigate adverse impacts on retail rates of BPA's customers with low system densities. The most substantial change made to BPA's FY 2002 LDD is that a utility must now have a retail rate that exceeds BPA's PF rate by at least 25 percent, as opposed to 10 percent in the 2002 GRSPs.

The Conservation Rate Credit (CRC) encourages customers to undertake conservation projects and develop renewable resources. The CRC will be a line item reduction on each customer's monthly BPA power bill equal to the customer's forecast rate period purchases divided by 36 and multiplied by \$0.5 per megawatt-hour. The renewable energy option component of the CRC is limited to \$6 million per year.

The Green Energy Premium (GEP) is available to customers that want to purchase Environmentally Preferred Power.

One small change was made to the rules that govern the Targeted Adjustment Charge (TAC). BPA may now exempt any load from the TAC and offer the applicable posted rate if the load is forecast to be less than 1 average megawatt per year.

The Unauthorized Increase Charge (UAI) remains unchanged.

Scenarios

Good Year

End of year Power cash reserves
– above \$1,050M

BPA lowers power rates with the **DDC** in the next fiscal year and returns excess reserves to rate payers.

Bad Year

End of year Power cash reserves
– below \$750M

BPA increases power rates with the **CRAC** in the next fiscal year and collects additional reserves from rate payers.

FCRPS Bi-Op Decision

FCRPS biological opinion decision that adds \$100M in unforeseen costs and **Within-year TTP > 80%**

BPA implements the **NFB Adjustment** provision and raises the CRAC cap to \$400M (\$300M + \$100M).

FCRPS Bi-Op Decision

FCRPS biological opinion decision that adds \$100M in unforeseen costs and **Within-year TTP < 80%**

BPA implements the **Emergency NFB Surcharge** provision and collects for costs in the current fiscal year.

AMNR Annual Triggers (millions)

CRAC			
AMNR Calculated at end of Fiscal Year	CRAC Applied to Fiscal Year	CRAC Threshold (AMNR trigger)	Approx. Threshold as Measured in Power Reserves
FY 2006	FY 2007	-\$151	\$750
FY 2007	FY 2008	-\$53	\$750
FY 2008	FY 2009	-\$48	\$750

DDC			
AMNR Calculated at end of Fiscal Year	CRAC Applied to Fiscal Year	CRAC Threshold (AMNR trigger)	Approx. Threshold as Measured in Power Reserves
FY 2006	FY 2007	\$149	\$1,050
FY 2007	FY 2008	\$247	\$1,050
FY 2008	FY 2009	\$348	\$1,050