Bonneville Power Administration

Debt Optimization Annual Meeting as Required Under the Slice Memorandum of Understanding

This information is being released externally by BPA on January 23, 2007 as an ad hoc report or analysis generated for a specific purpose. The information provided is based upon data found in Agency Financial Information but may not be found verbatim in an External Standard Financial Report or other Agency Financial Information release.

Agenda

- Review commitments related to the Debt Optimization Program (DOP) outlined in the Memorandum of Understanding (MOU) of the Slice Settlement Agreement
- Share DOP and Debt Service Reassignment (DSR) historical results and projections for the current and upcoming years
  - Agency view
  - Business unit breakout
- General review of DOP and DSR
- Demonstrate how DOP and DSR flow through the income statements
  - Power Income Statement
  - Transmission Income Statement
- “Rates no higher” demonstration
  - Power Repayment Results
  - Transmission Repayment Results – Transmission Rate DOP Demonstration

Requirements as Outlined in the DOP MOU of the Slice Settlement Agreement

Section B.2 BPA Commitments Concerning the Debt Optimization Program requires that:

- BPA demonstrate that rates are no higher with the DOP than they would have been in the absence of the DOP.
- BPA will annually demonstrate achievement of this principle by running and presenting repayment studies that compare a base repayment study that includes all debt management activities completed to date with a DOP repayment study that includes new DOP projections for the upcoming years, the results of which comply with such principle.

Section C.1 Annual Communication and Management Protocols requires that:

- BPA will provide each year in the late fall/early winter timeframe, the following:
    - i. What DOP activities/transactions occurred through the prior fiscal year;
    - ii. What the current expectation is for DOP activities/transactions in the current fiscal year, including an estimate of the total amount of debt optimization and estimated allocation to each business line; and
    - iii. What the current estimate is for DOP activities/transactions beyond the current fiscal year, both in total and allocation by business function.

Section C.1(i-iii): Historical & Projected Debt Optimization with Allocation by Function

What BPA and Energy Northwest Have Achieved So Far

($ in millions)

Actual and Forecasted

Cash Flow from EN Debt Management Actions — ***Calendar Year (Cash Basis)***

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
1	**2001-A Advance Refunding (Goldman)**		51	31						14	15	36	38	185
2	**2001-B Current "Rollout" (UBS PaineWebber)**	101												101
3	**2002-A Advance Refunding (Salomon)**		32	24	43	40	60	45	51	51	24	34		402
4	**2002-B Current "Rollout" (Salomon)**		180	22	12			12	13	14			15	266
5	**2003-A Current "Rollout" (Citigroup)**			239										239
6	**2004-A Current "Rollout" (Goldman)**				291									291
7	**2005-A Current "Rollout" (Citigroup)**					273	73							347
8	**2006-A Current "Rollout" (Goldman)**						204							204
9	***Forecasted Current Refinancings***							***232***	***147***	***113***				**492**
10	**Total Cash Flow from EN DOP Debt Mgmt Actions**	101	262	315	346	313	337	289	210	191	39	70	53	2,527
11	**Cumulative Net Cash Flow**	**101**	**363**	**679**	**1,025**	**1,338**	**1,675**							

Actual and Forecasted

BPA's Application to Treasury Principal Payments — Forecast (2007–2012)

		2001	2002	2003	2004	2005	2006	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	Total
12	**Power - Advance Refundings Portion[1]**	97	83	0	55	40	133	*57*	*64*	*78*	*39*	*70*	*53*	768
13	**Power - Current Refinancings Portion[2]**	0	183	0	86	83	0	*30*	*37*	*88*	*0*	*0*	*0*	508
14	**Total Power Prepayment**	97	266	0	141	123	133	*87*	*101*	*166*	*39*	*70*	*53*	1,275
15	**Total Transmission Prepayment**	0	0	315	205	190	204	*202*	*110*	*25*	*0*	*0*	*0*	1,251
16	**Agency Treasury Prepayment**	**97**	**266**	**315**	**346**	**313**	**337**	***289***	***211***	***191***	***39***	***70***	***53***	**2,527**
17	**Cumulative Treasury Prepayment**	**97**	**363**	**679**	**1,025**	**1,338**	**1,675**							

Clarification 1/25/07: Table now shows the projected Power DO allocation broken out by advance refundings and current refinancings.

NOTE: In FY01 BPA made a Treasury prepayment of $97M; the amount should have been $101M. Therefore, the payment in FY02 increased from $262M to $266M.

1 The advance refundings for 2007 - 2009 have already been incorporated into the base amortization schedule and will not contribute to additional Treasury payments in the Minimum Required Net Revenues (MRNR) for the SLICE True-up calculation.

2 If the projected current refinancings for 2007 - 2009 take place, these amounts will be added to the MRNR for the SLICE True-up calculation.

Forecasts are estimates only, subject to change, and should be relied upon at one's own risk. Totals may not add due to rounding.

Section C.1(i): Debt Optimization & Debt Service Reassignment General Review

- Debt Optimization (DO) that is allocated to Power results in a reduction to non-Federal debt service in the refinancing year, but creates debt service repayment obligations for future years.

- Debt Service Reassignment (DSR) is the use of DO to replenish Treasury Borrowing Authority by paying Transmission-related Federal repayment obligations.

- DSR impacts both Power's and Transmission's Income Statements, as follows:

  - Power: DSR results in the satisfaction of an original Power obligation; essentially, the EN debt has been deemed paid by Power.

    - To show that Power's original obligation has been satisfied, it is reflected in Power's Income Statement as ***EN Retired Debt***.

    - All future EN debt service costs associated with DSR are assigned to Transmission, and accordingly will be recovered through Transmission's rates.

  - Transmission: DSR is reflected in Transmission's Income Statement as ***Debt Service Reassignment Interest***.

    - Debt Service Reassignment Interest represents the interest expense on the EN bonds that are a Transmission obligation due to DSR.

    - Technically the *debt service* is assigned to Transmission, not the *debt*.

Section C.1(i): Excerpt from the Power Income Statement

Report ID: 0060FY06
Requesting BL: POWER BUSINESS UNIT
Unit of Measure: $ Thousands ($ 000)

Power Services Detailed Statement of Revenues and Expenses

Through the Month Ended September 30, 2006

		A	B	C	D	E	F	G
		Actuals: FY 2001	Actuals: FY 2002	Actuals: FY 2003	Actuals: FY 2004	Actuals: FY 2005	Actuals: FY 2006	Forecast from 2002 Power RC*
	Non-Federal Debt Service							
	Energy Northwest Debt Service							
74	COLUMBIA GENERATING STATION DEBT SVC	180,727	67,137	18,114	79,663	97,631	103,071	211,976
75	WNP-1 DEBT SVC	148,131	85,753	58,526	93,477	75,791	96,687	179,992
76	WNP-3 DEBT SVC	116,290	56,527	19,873	39,164	56,546	71,153	147,836
77	EN RETIRED DEBT		54,750	315,200	181,858	184,800	212,400	
78	EN LIBOR INTEREST RATE SWAP			6,032	12,043	6,421	(155)	
79	**Sub-Total**	**445,148**	**264,168**	**417,744**	**406,204**	**421,188**	**483,156**	**539,804**

Simple Reconciliation: from 2002 RC to Actual Debt Service

$540	2006 Debt Service (DS) as forecasted in the 2002 RC
(345)	Less: DO Refinancing [(75% * 337M) + (25% * 369M)]
212	Add: EN Retired Debt Accrual
32	Add: Interest Expense from DO Deals in Prior Years
40	Add: Loss of Reserve Free Ups & Interest Income Included in RC DS
8	Add: Interest Expense from CGS New Money Deals
(5)	Less: Savings from Accumulated Refinancings for Savings
$483	**FY 2006 EN Debt Service** *($ in millions)*

* See WP-02-FS-BPA-02A Tables 4-6

Section C.1(i): The Calculation for Power EN Retired Debt

Fiscal Year	Calculation Explained	The Math
FY02	Actual FY02 DSR - FY02 portion accr'd in FY01, plus	$0 - $0 = $0
	1/4 of projected FY03 DSR	$220 x 25% = $55
	FY02 EN Retired Debt Accrual	$55
FY03	Actual FY03 DSR - FY03 portion accr'd in FY02, plus	$315 - $55 = $260
	1/4 of projected FY04 DSR	$220 x 25% = $55
	FY03 EN Retired Debt Accrual	$315
FY04	Actual FY04 DSR - FY04 portion accr'd in FY03, plus	$205 - $55 = $150
	1/4 of projected FY05 DSR	$190 x 25% = $48
	FY04 EN Retired Debt Accrual	$198
FY05	Actual FY05 DSR - FY05 portion accr'd in FY04, plus	$190 - $48 = $143
	1/4 of projected FY06 DSR	$169 x 25% = $42
	FY05 EN Retired Debt Accrual	$185
FY06	Actual FY06 DSR - FY06 portion accr'd in FY05, plus	$204 - $42 = $162
	1/4 of projected FY07 DSR	$202 x 25% = $50
	FY06 EN Retired Debt Accrual	$212
FY07	Projected FY07 DSR - FY07 portion accr'd in FY06, plus	$202 - $50 = $151
	1/4 of projected FY08 DSR	$110 x 25% = $28
	Projected FY07 EN Retired Debt Accrual	$179

Refer to slide 22 for more details on the FY04 Accrual

Section C.1(i): Excerpt from the Transmission Income Statement

Report ID: 0061FY06
Requesting BL: TRANSMISSION BUSINESS UNIT
Unit of Measure: $ Thousands ($000)

TBL Detailed Statement of Revenues and Expenses

Through the Month Ended September 30, 2006

		A	B	C	D	E
		Actuals: FY 2003	Actuals: FY 2004	Actuals: FY 2005	Actuals: FY 2006	Rate Case: FY 2006
	Interest Expense					
	Interest on Federal Investment					
87	Appropriated	65,279	61,778	48,150	46,435	48,047
88	Capitalization Adjustment	(19,786)	(20,444)	(18,968)	(18,968)	(18,968)
89	Gross Bonds Interest Expense	155,282	112,101	103,318	99,184	122,862
90	Interest Earned on BPA Fund	(14,307)	(10,587)	(8,890)	(13,517)	(11,136)
91	Debt Service Reassignment Interest		15,503	25,080	32,827	25,656
92	AFUDC	(17,472)	(20,528)	(12,936)	(9,201)	(14,753)
93	**Net Interest Expense**	168,996	137,822	135,754	136,761	151,708

Simple Reconciliation: Interest Expense from DSR

Fiscal Year	DOP Principal allocated to Transmission	Approximate Interest Rate	Interest Expense	Income Stmt Effect (one-year lag)
FY03	$315	5%	$16	$0
FY04	$205	5%	$9	$16
FY05	$190	5%	$9	$25
FY06	*2006 DSR effect hits in FY07*			$33

Section C.1(i): Transmission Debt Service Reassignment

- For each year of DO, while the old EN bonds are refinanced in July, the advanced Federal payment is made on September 30th.
  - The debt service associated with DSR is assigned to Transmission on October 1st.
  - Therefore, there is no impact to Transmission until October 1st, the new fiscal year.
  - The interest and transaction costs related to each DO transaction that are the responsibility of Transmission are captured through the "carrying charge" calculation.
- The total payment obligation for Transmission due to DSR in a given year is the sum of the base debt service + transaction costs + carrying charge, adjusted to BPA's fiscal year and reshaped so that the total principal equals the total Federal principal retired. See 2006 Final Revenue Requirement Study Documentation, TR-06-FS-BPA-01A, Chapter 7.
- In general, the DSR interest expense included in TBL's income statement is roughly equal to:
  - Transmission Advanced Federal amortization x the average rate on the new extension bonds
  - For example, the FY03 Transmission advanced Federal payment = $315m; the average rate on the extension bonds was approximately 5%. [$315 X 5% = $15.8m]
  - Any minor differences between the results of this calculation and the numbers recorded in Transmission Income Statement are due to the adjustments noted above.

Repayment Study: What It Is & How It Works

- The primary purpose of the repayment study is to determine a schedule of Federal principal payments that satisfies the statutory requirement to set rates to assure timely repayment of the Federal investment.
- Repayment studies are conducted for each year in a rate test period. Each annual study includes outstanding bonds and appropriations as of the most recent year of actual data and projected repayment obligations through the year of the study. Funding for replacements projected during the repayment period also is included in the repayment study, consistent with Federal repayment policy.
- Annual debt service streams for non-Federal payment obligations are included as fixed requirements that the study must take into account in establishing the overall levelized debt service. This reflects the priority of revenue application in both policy and statute in which these obligations have a higher priority of repayment. The study schedules the repayment of Federal debt around these obligations.
- That schedule, with the resulting Federal interest payments, the non-Federal debt service requirements and, for Generation, Federal irrigation assistance, is the lowest, levelized combined debt service for the study year and over the ensuing repayment period.
- The study creates the lowest, levelized combined debt service schedule through linear programming methodology, which iterates numerous times within each year's study to find the lowest level of combined non-Federal and Federal interest and principal payments such that all debts are paid within the repayment period (50 years for Generation and 35 years for Transmission).

Repayment Study: Why It Is the Right Test

For demonstration of compliance with the “rates no higher with Debt Optimization" principle, the results of a series of annual repayment studies is the logical place and the right place to make that determination because the repayment study:

- Employs a complex linear programming methodology for a consistent analytical approach that allows for the least cost interaction of Federal flexibility and fixed non-Federal requirements.
- Features 20-year analytical capability. A 20-year look goes beyond the EN repayment period and allows for an analytical look over multiple rate periods ensuring that DO does not create problems in future rate periods.
- Allows for a comprehensive evaluation of DO. The repayment study shows how the DO transactions interact with BPA’s entire debt portfolio as well as projected debt obligations.

Section B.2: Rates No Higher as Demonstrated by Repayment Study Results

Transmission Rate DOP Demonstration

Summary of Repayment (*$ in 000s*)

Generation

Date	Base Total Debt Service	Debt Opt Total Debt Service	Delta
09/30/2007	1,011,192	1,010,812	(379)
09/30/2008	1,077,963	1,076,685	(1,278)
09/30/2009	937,901	934,994	(2,907)
09/30/2010	1,032,229	1,032,449	220
09/30/2011	1,047,399	1,047,021	(378)
09/30/2012	1,093,367	1,092,138	(1,229)
09/30/2013	1,111,404	1,110,131	(1,273)
09/30/2014	1,126,140	1,124,872	(1,268)
09/30/2015	1,135,438	1,134,161	(1,277)
09/30/2016	1,145,539	1,144,247	(1,292)
09/30/2017	1,152,570	1,151,278	(1,292)
09/30/2018	1,099,678	1,098,339	(1,339)
09/30/2019	964,339	963,054	(1,285)
09/30/2020	974,699	973,427	(1,272)
09/30/2021	981,833	980,543	(1,290)
09/30/2022	997,426	996,136	(1,290)
09/30/2023	1,005,126	1,003,842	(1,284)
09/30/2024	1,012,153	1,010,868	(1,285)
09/30/2025	1,000,101	995,681	(4,420)
09/30/2026	1,007,866	1,003,445	(4,421)
		Total 20-year Difference	**(30,239)**
		Net Present Value[1]	(16,849)
		Net Present Value[2]	(8,483)

Transmission

Date	Base Total Debt Service	Debt Opt Total Debt Service	Delta
09/30/2007	353,381	348,608	(4,773)
09/30/2008	365,777	357,894	(7,883)
09/30/2009	383,563	375,009	(8,554)
09/30/2010	400,580	391,663	(8,917)
09/30/2011	414,242	405,667	(8,575)
09/30/2012	430,144	428,301	(1,843)
09/30/2013	449,210	452,481	3,271
09/30/2014	467,689	466,272	(1,417)
09/30/2015	484,958	483,537	(1,421)
09/30/2016	507,864	506,447	(1,417)
09/30/2017	526,032	524,618	(1,414)
09/30/2018	538,381	536,965	(1,416)
09/30/2019	550,531	549,147	(1,384)
09/30/2020	563,103	561,753	(1,350)
09/30/2021	576,795	574,908	(1,887)
09/30/2022	590,622	589,289	(1,333)
09/30/2023	606,322	604,992	(1,330)
09/30/2024	621,399	624,039	2,640
09/30/2025	638,082	636,478	(1,604)
09/30/2026	655,398	653,799	(1,599)
		Total 20-year Difference	**(52,206)**
		Net Present Value[1]	(40,057)
		Net Present Value[2]	(33,888)

NOTE: In the delta column, a negative number denotes a decrease in debt service; a positive number an increase in debt service.

1 Discount Rate = WAI on Treasury Bonds Outstanding at 9/30/06 = 5.08%

2 Discount Rate equal to the following for each Service function: Transmission = 9.00% Power = 13.00%

Correction 1.25.07:
The NPV calculations for both business units have been corrected. The error in the original package occurred because the discount rates were incorrectly divided by 12 months.

Section B.2: Rates No Higher

- In the 20-year study there are three years in which total debt service with DO is slightly higher than total debt service without DO, as follows:
  - Generation debt service is approximately $0.2m higher in 2010.
  - Transmission debt service is approximately $3.3m higher in 2013 and $2.6m in 2024.

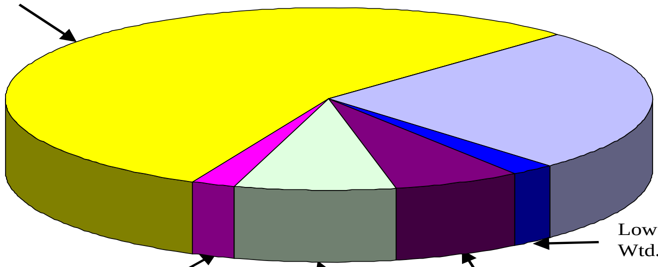
- The “rates no higher” test has been met:
  - Debt service is significantly reduced in total over the 20 year period. These reductions total $30m for Generation and $52m for Transmission.
  - The reduction to debt service over the 20 years holds true from a net present value standpoint as well, using various discount rates. (See previous slide)
  - From a rate period perspective, the increases to debt service noted above virtually net to zero; the increase to Transmission debt service drops to approximately $1m for the 2012/13 and 2024/25 rate periods.

Outstanding Liabilities 2006

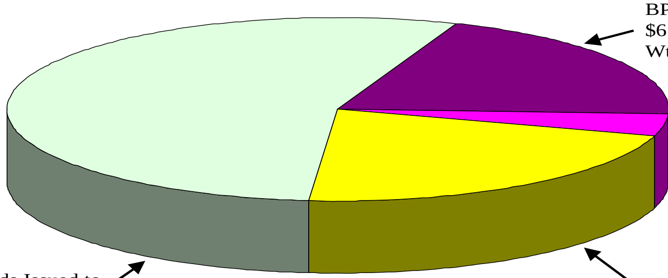
Federal Columbia River Power System (FCRPS)
Total Liabilities to Federal and Non Federal Parties
FY 2006 [1/]

($ millions)

Generation



Transmission



	Power Marketing		Transmission		Total	
	Liabilities Outstanding ($millions)	WAI Rate %	Liabilities Outstanding ($millions)	WAI Rate %	Liabilities Outstanding ($millions)	WAI Rate %
Total Appropriations [2/]	$3,379	6.6	$618	7.2	$3,997	6.7
Total Bonds Issued to Treasury	800	4.7	1,681	5.2	2,481	5.0
Total Federal Liabilities	4,179	6.2	2,299	5.7	6,478	6.1
BPA Liabilities to Non Federal Parties [3]	5,727	5.2	789	5.4	6,516	5.2
Total FCRPS Liabilities	$9,906	5.6	$3,088	5.7	$12,994	5.6

1/ Does not include irrigation assistance liability of $735 million at zero percent interest ($53.9 of this amount is for Lower Teton, for which the Administrator has no obligation to recover costs). "Liabilities" on this page do not directly relate to "liabilities" as reflected in the Combined Statements of Capitalization and Long-Term Liabilities.

2/ Appropriation amounts exclude appropriations for construction work still in progress (CWIP). 2006 CWIP for appropriations was $295 million.

3/ TBL principal is different from the actual amount issued in bonds due to: 1) premium bonds issued, 2) timing differences, and 3) transactions costs. TBL is assigned the repayment obligation for the 3 items stated above, which equals the additional Federal prepayment made on TBL's behalf.

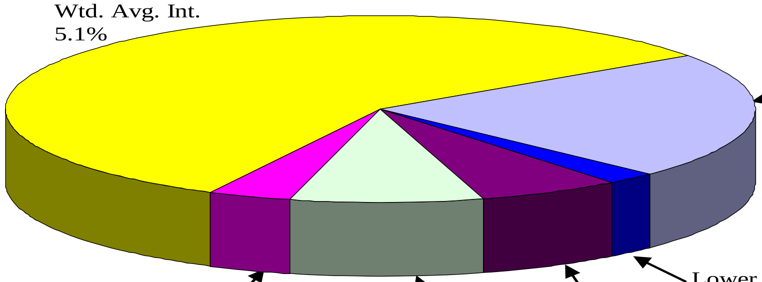
This information made publicly available by BPA in January 2007 and is consistent with BPA's FY 2006 Annual Report. Any variation is due to rounding.

Outstanding Liabilities 2005

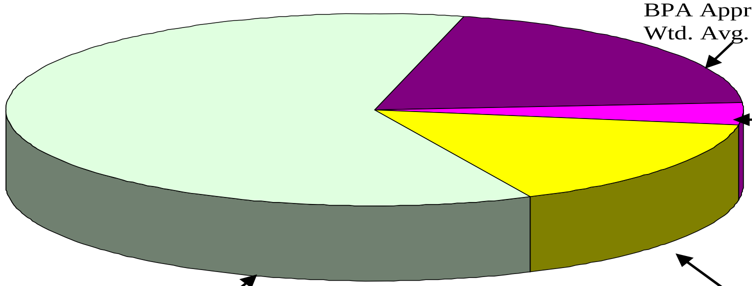
Federal Columbia River Power System (FCRPS)
Total Liabilities to Federal and Non Federal Parties
FY 2005 1/

($ millions)

Generation



Transmission



	Power Marketing		Transmission		Total	
	Liabilities Outstanding ($millions)	WAI Rate	Liabilities Outstanding ($millions)	WAI Rate	Liabilities Outstanding ($millions)	WAI Rate
Total Appropriations 2/	$3,087	6.8	$643	7.1	$3,730	6.9
Total Bonds Issued to Treasury	862	4.2	1,915	5.0	2,777	4.8
Total Federal Liabilities	3,949	6.2	2,558	5.5	6,507	6.0
BPA Liabilities to Non Federal Parties	5,882	5.1	612	5.5	6,494	5.2
Total FCRPS Liabilities	$9,831	5.6	$3,170	5.5	$13,001	5.6

1/ Does not include irrigation assistance liability of $722 million at zero percent interest ($53.9 of this amount is for Lower Teton, for which the Administrator has no obligation to recover costs). "Liabilities" on this page do not directly relate to "liabilities" as reflected in the Combined Statements of Capitalization and Long-Term Liabilities.

2/ Appropriation amounts exclude appropriations for construction work still in progress (CWIP). 2005 CWIP for appropriations was $572 million.

3/ TBL principal is different from the actual amount issued in bonds due to: 1) premium bonds issued, 2) timing differences, and 3) transactions costs. TBL is assigned the repayment obligation for the 3 items stated above, which equals the additional Federal prepayment made on TBL's behalf.

This information made publicly available by BPA in January 2006 and is consistent with BPA's FY 2005 Annual Report, with the exception of the appropriations WAI, which varies by .2% due to rounding.

Appendix

EN Debt Service
Different Fiscal Years = Timing Differences

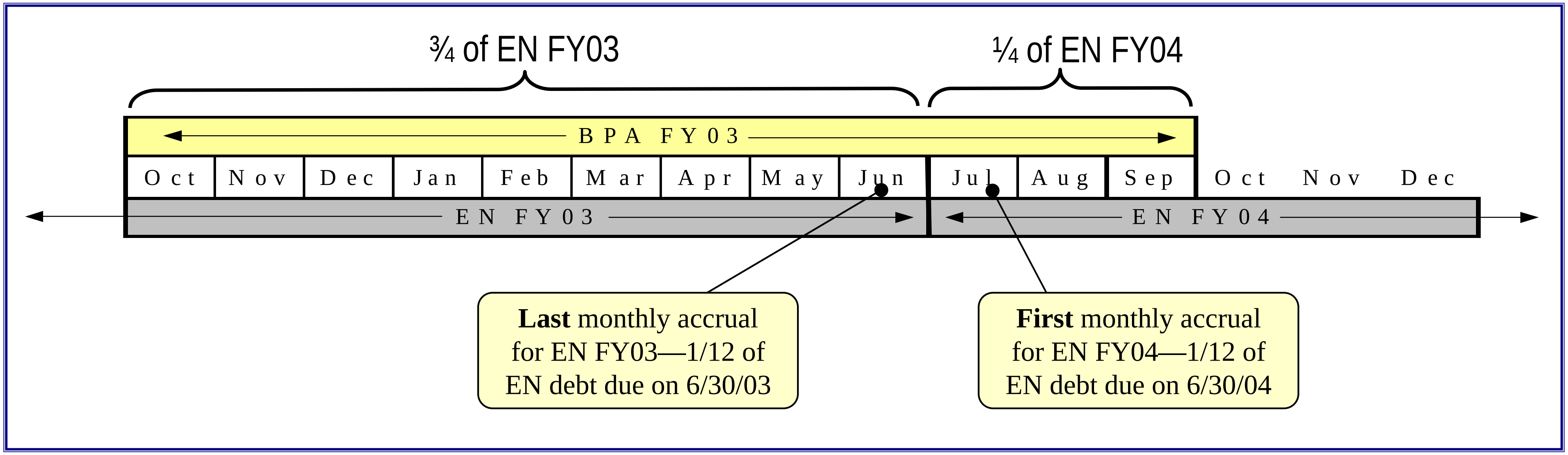
In the current year BPA accrues ¼ of the forecasted EN debt service for the following year because:

- EN debt comes due at the end of their fiscal year, which runs from July 1st to June 30th.
- BPA's fiscal year runs from October 1st to September 30th. This means ¼ of EN's new fiscal year falls into BPA's current fiscal year. Or simply, that EN's fiscal year is three months ahead of BPA's fiscal year.
- BPA maintains its accounts on an accrual accounting basis in accordance with generally accepted accounting principles (GAAP), which means that revenues are recognized when earned and expenses are recognized when incurred, without regard to receipt or payment of cash.
- In accordance with GAAP, each month BPA accrues 1/12 of the EN due principal—this coincides with the liability for the EN principal due.

EN Debt Service
Different Fiscal Years = Timing Differences

The following example shows how EN debt is accounted for on BPA's books:

BPA FY03 = ¾ of EN FY03 + ¼ of EN FY04



The impact of DSR on Power's Income statement follows the same accounting pattern. See the next slides for more detail.

Accrual for EN Retired Debt

For Power, in any given year, the EN Retired Debt accrual will be equal to:

Actual DO allocated to Transmission from the current year EN refinancing

— The DSR portion of the current year EN refinancing accrued in the prior FY

\+ One-quarter of the projected DSR allocation for the following FY

EN Retired Debt Accrual

To see this calculation explained in greater detail, see the next page.

Section C: The Calculation Power EN Retired Debt

Fiscal Year	Calculation Explained	The Math
FY02	Actual FY02 DSR - FY02 portion accr'd in FY01, plus	$0 - $0 = $0
	1/4 of projected FY03 DSR	$220 x 25% = $55
	FY02 EN Retired Debt Accrual	$55
FY03	Actual FY03 DSR - FY03 portion accr'd in FY02, plus	$315 - $55 = $260
	1/4 of projected FY04 DSR	$220 x 25% = $55
	FY03 EN Retired Debt Accrual	$315
FY04	Actual FY04 DSR - FY04 portion accr'd in FY03, plus	$205 - $55 = $150
	1/4 of projected FY05 DSR	$190 x 25% = $48
	FY04 EN Retired Debt Accrual	$198
FY05	Actual FY05 DSR - FY05 portion accr'd in FY04, plus	$190 - $48 = $143
	1/4 of projected FY06 DSR	$169 x 25% = $42
	FY05 EN Retired Debt Accrual	$185
FY06	Actual FY06 DSR - FY06 portion accr'd in FY05, plus	$204 - $42 = $162
	1/4 of projected FY07 DSR	$202 x 25% = $50
	FY06 EN Retired Debt Accrual	$212
FY07	Projected FY07 DSR - FY07 portion accr'd in FY06, plus	$202 - $50 = $151
	1/4 of projected FY08 DSR	$110 x 25% = $28
	Projected FY07 EN Retired Debt Accrual	$179

Refer to slide 22 for more details on the FY04 Accrual

Transmission: Debt Service Reassignment

- DSR occurs when BPA uses the funds made available from DO to early-amortize Federal Transmission repayment obligations.

- The total payment obligation for Transmission due to DSR in a given year is the sum of the base EN debt service + transaction costs + carrying charge, adjusted to BPA's fiscal year and reshaped so that the total principal equals the total Federal principal retired (see Transmission '06 Rate Case for details).

- EN municipal bonds are issued at different amounts –par, discount or premium—depending on market conditions; reshaping is done so that the total principal equals the total Federal principal retired through the advanced Federal payment.

- In general, the DSR interest expense included in Transmission's income statement is roughly equal to: Transmission Advanced Federal amortization x the average rate on the new extension bonds. Any minor differences between the results of this calculation and the numbers recorded in Transmission's Income Statement are due to the adjustments noted in the second bullet above.

FY04 EN Retired Debt:

Why does the FY04 accrual appear to be $182m rather than $198m?

- In BPA's FY04 and prior years, gross EN debt service costs were initially recorded to the Power business unit.
- As noted, when DSR occurs, Power is not responsible for the EN debt service that is assigned to Transmission.
- Therefore, in FY04, credit entries were made to the Power EN Retired Debt account for $16 million—the amount of debt service associated with the new EN bond issues from the FY03 DO refinancing.
- This accounting methodology changed in BPA FY05: CGS, WNP-1, & WNP-2 debt service expense line items now reflect the net reduced amount.