

**Questions and Answers from  
Opening Workshop  
Power Function Review  
January 25, 2005**

**Q. What components make up the PF aMWs for FY07-09 on page 11 of the PFR Opening Workshop Packet?**

A. The PF aMWs are made up of presubscription customers, Slice customers, full requirements customers, partial requirements customers, federal agencies and any block customers.

**Q. What are the assumed resource (hydro, nuclear, renewables, out of region contracts, etc.) components for the FY07-09 forecast?**

A. The assumed resources for the FY07-09 forecast are as follows:

<b>Resource (energy in aMW)</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>
Hydro	9354	9397	9419
Non-Fed CER (Canada)	161	158	156
Renewables	29	29	29
Imports	217	195	184
Intra-Regional Transfers (In)	286	192	192
Large Thermal (CGS)	877	1000	877
Non-Utility Generation	118	118	118
Federal Transmission Losses (1958 Water Year)	-308	-309	-306
<b>Total Net Resources</b>	<b>10734</b>	<b>10779</b>	<b>10669</b>

**Q. Will the load and resource forecasts, and especially the forecast of secondary revenues, be discussed during the PFR technical or management discussions?**

A. No. The actual load/resource and secondary revenue forecast used in the rate case will not be a topic for discussion in the PFR. They will be included in the initial proposal and accompanying studies. There will be rate case workshops prior to the initial proposal on these issues.

**Q. Each cost category in the list on page 6 of the handout has the term “discussion” or “decision” or “decision where applicable” in parentheses following the category. Please explain the distinctions.**

A. The budget level for the 2007 Rate Case Initial Proposal of the items with the word decision beside them will be decided in the PFR process. The items with the word discussion beside them will either be decided in a different forum or in the rate case. A more detailed description was handed out at the March 15<sup>th</sup> workshop and is posted on the PFR website. While certain matters may be resolved in other forums, this does not preclude entities from providing input to BPA

during the PFR process. For example, while a particular issue may be one that will be decided in the rate case, entities may provide comment in an effort to inform or shape BPA's initial proposal.

**Q. Will there be any decisions issued between the Power Function Review and the beginning of the rate case?**

A. Yes. There will be a number of decisions made between the PFR and the beginning of the rate period. The PFR was designed to only deal with budget decisions that will go into the rate case because they are outside the scope of the rate case proceedings. The rate case process has a number of issues that will need to be discussed and explored through informal rate case workshops that will include: Risk, Rate Design, Cost Allocation, Slice Costing, Repayment Study/Revenue Requirement, Natural gas price/Secondary Revenue forecast, IP Margin Study/IP rate, Interbusiness line pricing issues, Loads and Resources, and any rate components coming out of Conservation and Renewables processes.

**Q. What was sent to OMB?**

A. The President's budget, which was released recently, is the most current indication of what the Administration is expecting, and it can be found at the OMB web site.

**Q. What issues will not be in the Rate Case?**

A. As a general overall response, any issues dealing with the budget levels will not be addressed in the rate case. It may be easier however, to address what issues will be in the rate case instead. The following is a list of topics the rate case is expecting to cover: Risk, Rate Design, Cost Allocation, Slice Costing, Repayment Study/Revenue Requirement, Natural gas price/Secondary Revenue forecast, IP Margin Study/IP rate, Interbusiness line pricing issues, Loads and Resources, and any rate components coming out of Conservation and Renewables processes.

**Q. Please provide the agendas, presentation and handout material for each Technical Workshop and Management Discussions Group one week prior to the meetings. This will facilitate meaningful dialog between BPA and its customers.**

A. We appreciate your comment and are trying to do just that during the PFR process.

**Q. Please describe the process by which BPA evaluates the costs, benefits and alternatives of non-capital projects.**

A. There are several different processes the agency uses to evaluate non-capital projects. The Agency priority steering committee evaluates all capital and expense projects requiring new funding for information technology projects. It is a matrix-based approach using standard cost/benefit ratios and alternatives. The FCRPS Asset Management group for BPA, in coordination with the Corps of Engineers and the Bureau of Reclamation, determines where expense maintenance and repair dollars are most needed in the system using the guiding principals of 1) maintaining reliability, 2) improving generation, and 3) maximizing return on

investment. Essentially all cost decisions not mandated by contract, law or regulation over \$500,000 are evaluated through a Decision Support Template that weighs the risks, key assumptions and inputs, and impacts on Treasury Payment Probability, rates, and cash reserves both in this rate period and in the FY 07-09 rate period

**Q. How will the agency go from the PFR to the rate proposal? What are our rights?**

A. Through the PFR process participants can comment on budget levels that will go into the Power initial proposal. If a decision is not being made through the PFR, we will channel their comments to the correct forum. The agency will then use the PFR results to set the revenue requirement, along with some other stuff, that is included and justified with studies in the initial proposal. Your rights for participation in the rate case proceeding depend on your standing, and you can participate as a party or a participant. Each class of participation has different responsibilities and rights. There are certain costs that are traditionally within the scope of a rate case – for example purchase power expenses, exchange costs, net. Program levels are not an issue in a rate case.

**Q. Provide a background paper that explains and discusses the exchange.**

A. The Background paper will explain the contract history with the IOUs, the contract for FY07-09 with the IOUs, and an estimate of FBPF in BPA rates for the FY07-09 timeframe.

**Q. The residential exchange benefits are a material component of BPA’s forecast of power function expenses. Please provide details regarding this expense and incorporate a review of this expense into a workshop.**

A. Currently, there is not a PFR workshop designated to go over the IOU benefit details because it is a formula that was set in the IOU Amendment agreement, but there will be an informal workshop prior to the initial proposal to cover the details during the rate case process.

**Q. How will the potential for purchasing additional transmission service on the secondary market at a discount be included in PBL’s risk analysis?**

A. We are not planning to estimate in the transmission acquisition forecast any ability for purchasing incremental transmission on the secondary market in the FY07-09 rate period.

**Q. Provide a breakdown of the TBL and PBL reserves.**

A. The split of financial reserves for BPA is:

	<b>Ending FY2004</b>	<b>Ending FY2006</b> <i>(SN CRAC Aug 18<sup>th</sup> Workshop)</i>
PBL	\$403 M	\$129 M
TBL	\$235 M	\$222 M
<b>Agency Total</b>	<b>\$638 M</b>	<b>\$351 M</b>