Questions and Answers from
Internal Operations Charged To Power Program
Power Function Review Workshop
March 1, 10 & 17, 2005

Q. Please provide the number of FTE in each functional area on page 13 for current vs. 2002 levels.

A. The question of how FTE has changed since 2002 was addressed in the March 10th follow-up technical workshop. The table on page 12 outlined FTE movements between corporate and the business lines in the major areas of change. Due to reorganizations and other changes in where corporate functions are performed, it would not be informative or useful to try to trace FTE in more detail from one corporate organization to another over this four-year time span.

Q. What are the CFTE for BPA?

A. These numbers were provided on page 10 of the March 1st technical workshop materials. It should be remembered that these number represent the number of contractors working at BPA at the end of each fiscal year. They do not represent Full Time Equivalents (FTE) in the same way as Federal FTE. BPA contracts for goods and services, not for specific contract employees. Contractors are free to provide those goods and services with their own mix of contract employees. The figures given on page 10 merely provide a snapshot of the number of contractors at BPA providing contracted goods and services.

Q. Other than the IT reorganization, there appears to be reductions in the number of Power contractors. Where have those come from?

A. As previously stated, contractor FTE represents the number of contractors working at BPA at the end of each fiscal year. They do not represent Full Time Equivalents (FTE) in the same way as Federal FTE. Associated with PBL's commitment to control costs, in 2004 PBL reduced administrative and IT support contractors by about 10%. In addition to reductions in contractors, BPA and PBL renegotiated contract terms for these services, and achieved further cost reductions. Most of the contractor reductions in 2005 are associated with the consolidation of IT into Corporate.

Q. Explain BPA performance objectives around rewards.

A. Due to the west coast power crisis and drought conditions, it has been several years since BPA has had more than a minimal employee award program. Starting in FY 2006, BPA is proposing a return to a modest award program - similar in structure to past efforts, but on a smaller scale. The particulars of the revived program have not yet been worked out, but it will likely be close to the previous program. Award eligibility and amounts for agency and group awards will be based on achieving key agency and group targets as outlined in the balanced scorecards. We have attached the "BPA Strategic Direction with Key Agency Targets for Fiscal Year 2005" http://www.bpa.gov/corporate/about_bpa/strategy.cfm , which outlines targets for all four strategic perspectives. Award payouts would be based on a subset of these key targets, with amounts tied to the number of targets met and the degree to which they are met. Individual awards would be based on performance against individual and workgroup contracts.

Q. Provide a list of potential reductions from the initiative to reduce grade structure.

A. Figures for potential reductions due to the position management initiative have not been developed at this time. BPA has set an overall goal on reducing the amount of higher graded employee's over the next several years, but has not developed specific forecasts. These reductions will only take place as positions are vacated, reviewed, and the grade level possibly changed. At this point, we do not know which positions may become vacant, the outcome of the grade classification review, or the impact of a grade reduction.

Q. What would your organization look like if you cut 5 or 10 percent?

A. The current EPIP review of most corporate functions is examining costs and exploring the impacts of changes in organization and process. In most cases, the targeted reductions are more than 5 to 10%. Given the level of effort currently engaged in EPIP, it would not be possible or helpful to conduct a separate look at the impact of reductions as recommended here.

Q. How will BPA involve customers in the EPIP process?

A. The Enterprise Process Improvement Program (EPIP) was born from the desire of both BPA and its customers to "build greater collaboration" in aggressively pursuing cost reductions and revenue enhancements, as mentioned in a letter from BPA Administrator Steve Wright on Sept. 11, 2003 to PNUCC Executive Director Dick Adams and Aldo Benedetti. Towards that goal, BPA agreed to pursue and implement a process improvement program and use outside expertise to define specific opportunities for improvement.

From the beginning of the EPIP effort, BPA has asked customers to play a prominent role in the EPIP effort and sought customer involvement. Two members of the Customer Collaborative (Steve Marshall of Snohomish County PUD and Ken Cannon of Industrial Customers of Northwest Utilities) helped define the scope of the project and participated in selecting the outside contractor who is currently assisting BPA in the EPIP effort. Customer Collaborative members also receive regular updates and provide feedback on EPIP work directly to BPA Chief Operating Officer Ruth Bennett. The Marketing and Sales EPIP team also sought direct feedback from key customers through one-on-one interviews. This feedback is being used to shape future state recommendations on how the agency can become more efficient and reduce costs. Key customer groups such as the Public Power Council are also being updated about the project.

Ruth Bennett is also briefing Customer Collaborative members on each of the EPIP final state proposals to seek their feedback on proposed recommendations for process improvements. Other customers interested in providing feedback on the EPIP process are encouraged to do so through Steve Marshall and Ken Cannon of the Customer Collaborative.

Q. Provide more information on the one-BPA process.

A BPA's approach to the "One BPA" process is to create a culture within the agency where people, ideas and financial resources all work together to support the common BPA goal of providing maximum value to the region, while continuing to ensure open, non-discriminatory access and complying with the Federal Energy Regulatory Commission's standards of conduct (SOC).

Towards this goal, a cross-agency team was formed in February to develop alternatives on how the agency could organize to best meet its obligation of providing power and transmission services at the lowest possible cost.

The team also conducted a thorough analysis of FERC's standards of conduct requirements to sharpen its understanding of what falls under the "merchant" or "transmission" function in FERC rules. A functional analysis had not been revisited since 1996 when the agency split into separate business functions.

In early March, BPA senior management agreed to pursue the development of a new "One BPA" functional model that would define only about 15 percent of employees as performing the transmission functions. These employees are in specific functions where information must be restricted to ensure that BPA's merchant function could not gain a competitive advantage over other power marketers. This includes transmission functions responsible for dispatch, scheduling, operations, planning, contracting, marketing, sales, as well as some customer engineering services. Additional review is underway on these functions to thoroughly understand SOC-compliance issues and how to best define these functions for greater shared opportunities.

This is a major change from BPA's current model that defines all Transmission Business Line positions as behind a sensitive transmission boundary and all of Power Business Line positions as behind a power marketing boundary.

By more precisely determining the number of employees who are actually performing FERC-defined transmission and power marketing functions and removing unnecessary barriers on internal communication flow, BPA believes it can eliminate duplication, optimize operations and improve reliability.

Much work is still ahead to fully define protocols and train employees on what information can and cannot be shared. Until that is complete and employees are trained by BPA's SOC chief compliance officer to operate differently, all employees have been instructed to continue to operate under existing SOC rules.

BPA believes this new model will bring greater value to the region through:

- Improved reliability and lower power and transmission costs through improved communication where allowable under SOC.

- More accurate, timely and consistent load forecasts through the creation of a single load forecasting staff producing multiple load forecast products.

- Creating a freer flow of information within BPA by sharing across more functions such as Energy Efficiency, Asset Management, Supply Chain, parts of Generation Supply, Billing, Finance, Budget, Communications/Liaison and Human Resources/Staff Management, while complying with SOC.

- Better communication, increased efficiency and less staff friction by breaking down unnecessary silos that impede integrated operations.

- Reducing internal operating costs by looking at consolidating some functions into a single organization – such as Communications/Liaisons and potentially Human Resources/Staff Management, Billing, Metering, Finance and Budget.

For information on the One BPA effort or Enterprise Process Improvement Program, please contact a BPA customer account executive.

Q. Provide a breakout of corporate costs that shows the direct charges and the allocated costs. Include TBL as well.

A. The revised table is below in Attachment #1.

Q. Provide the numbers associated with the "Corporate Cost Pool."

A. These were provided on page 17 of the March 10th follow-up technical workshop presentation materials.

Q. Provide more detailed information on the total Shared Services costs, including the total breakdown.

A. This information was provided on pgs. 24-37 of the March 10th follow-up technical meeting presentation.

Q. What is the 2003-2004 SOY vs. EOY forecast variance?

A. The attachment #2 table shows this information for corporate organizations.

Attachment #1

2005 PBL Program Functional Review (PFR) Corporate Overheads
All Corporate G&A Expenses by Organization (Excluding EF&W)

	Expense G&A	FY 05 FTE	2001 Actuals	2002 Actuals	2003 Actuals	2004 Actuals	2005 SOY	2006 Target PFR	2007 Target PFR	2008 Target PFR	2009 Target PFR
1	**Executive Office**	4	$108,970	$489,296	$569,830	$890,517	$652,052	$685,254	$718,912	$749,511	$781,617
2	**Deputy Administrator**										
3	Deputy Administrator	1	$1,445,433	$2,191,341	$1,305,058	$301,655	$233,350	$430,576	$451,042	$469,884	$489,628
4	National Relations	5	$766,891	$743,158	$657,580	$678,042	$877,680	$904,031	$944,281	$981,214	$1,019,894
5	Communications	18	$1,838,452	$1,749,261	$1,756,101	$1,988,669	$2,081,014	$2,090,151	$2,204,059	$2,299,895	$2,400,560
6	Strategic Planning	5	$950,777	$1,005,991	$582,417	$695,980	$860,259	$892,931	$932,080	$967,925	$1,005,471
7	Regional Relations	10	$1,683,240	$1,709,090	$1,558,235	$1,517,393	$1,527,326	$1,469,008	$1,536,865	$1,598,866	$1,663,919
8	Tribal Relations	2	$867,529	$893,431	$522,187	$320,089	$304,035	$317,168	$330,539	$342,670	$355,384
9	Industry Restructuring	10	$0	$0	$1,067,202	$2,232,666	$4,514,065	$4,985,900	$5,472,756	$5,699,897	$2,134,064
10	**Employee and Business R.**										
11	Employee and Business R	2	$414,712	$637,234	$616,690	$296,052	$322,667	$328,407	$342,268	$354,536	$367,308
12	Human Resources Div & EEO	15	$1,735,328	$1,814,722	$1,856,090	$1,820,786	$1,709,614	$1,517,726	$1,584,017	$1,640,812	$1,700,052
13	Safety	14	$1,213,480	$1,342,726	$1,454,018	$1,595,361	$1,724,547	$1,801,031	$1,878,050	$1,945,243	$2,015,280
14	Contracts and Property Mngmt	6	$395,788	$652,205	$616,410	$632,569	$663,731	$694,056	$724,471	$750,466	$777,579
15	Security	16	$2,730,376	$3,749,725	$4,164,570	$4,532,217	$4,781,582	$4,906,187	$5,091,547	$5,271,077	$5,457,380
16	**Chief Operating Officer**										
17	Chief Operating Officer	8	$1,342,484	$1,536,774	$1,765,470	$1,386,948	$3,495,418	$3,394,416	$1,475,496	$1,518,535	$1,558,946
18	Corporate and Executive Ops	20	$0	$0	$0	$2,228,864	$2,368,964	$2,294,863	$2,404,018	$2,501,047	$2,602,895
19	Chief Financial Officer	95	$7,640,642	$8,505,078	$8,366,740	$8,957,170	$10,434,772	$9,882,741	$10,216,411	$10,577,436	$10,954,240
20	Chief Risk Officer	21	$0	$0	$0	$2,342,831	$3,292,301	$3,292,780	$3,171,309	$3,283,579	$3,400,540
21	Internal Audit	12	$1,268,992	$1,657,809	$1,457,955	$1,200,457	$1,381,367	$1,462,455	$1,537,725	$1,604,214	$1,674,070
22	Information Technology	288	$10,584,367	$11,772,447	$7,331,382	$7,690,883	$58,536,746	$58,949,015	$66,165,799	$67,912,745	$69,571,153
23	**General Counsel**	47	$1,828,959	$2,107,362	$1,714,066	$1,468,784	$2,358,293	$2,495,560	$2,628,247	$2,718,468	$2,813,293
24	Shared Services charged to Corp		$7,510,135	$8,006,251	$7,448,851	$8,440,950	$11,889,140	$11,933,136	$12,294,471	$12,666,763	$13,050,345
25	Undistributed Payroll/FTE Reduction						($920,000)	($935,000)			
26	**Expense Total**	**599**	**$44,326,555**	**$50,563,901**	**$44,810,852**	**$51,218,884**	**$113,088,923**	**$113,792,392**	**$122,104,363**	**$125,854,783**	**$125,793,618**
27	Technology Confirmation/Innovation		Corporate costs incremental to existing TCI activities					$250,000	$1,500,000	$2,750,000	$4,100,000
28	**Revised Expense Total**							**$114,042,392**	**$123,604,363**	**$128,604,783**	**$129,893,618**

	PBL Expense Direct Charge	2001 Actuals	2002 Actuals	2003 Actuals	2004 Actuals	2005 SOY	2006 Target PFR	2007 Target PFR	2008 Target PFR	2009 Target PFR
29	Chief Financial Officer	$220,831	$230,179	$233,502	$189,970	$247,252	$256,218	$265,508	$275,136	$285,112
30	General Counsel	$2,552,761	$2,930,120	$4,097,616	$3,001,105	$3,139,727	$3,253,383	$3,367,519	$3,485,112	$3,607,084
31	Other corporate organizations	$50,408	$52,039	$1,881	$0	$0	$0	$0	$0	$0
32	Shared Services charged to PBL	$12,900,000	$15,600,000	$14,900,000	$13,400,000	$6,600,000	$6,700,000	$6,800,000	$7,100,000	$7,300,000
33	**Expense Total**	**$15,724,000**	**$18,812,338**	**$19,232,999**	**$16,591,075**	**$9,986,979**	**$10,209,601**	**$10,433,027**	**$10,860,248**	**$11,192,196**

	TBL Expense Direct Charge	2001 Actuals	2002 Actuals	2003 Actuals	2004 Actuals	2005 SOY	2006 Target PFR	2007 Target PFR	2008 Target PFR	2009 Target PFR
34	Chief Financial Officer	$24,967	$6,331	$143	$258	$0	$0	$0	$0	$0
35	General Counsel	$1,442,766	$1,335,161	$1,660,449	$1,526,384	$1,781,196	$1,843,538	$1,908,062	$1,974,844	$2,043,964
36	Other corporate organizations	$101,238	$23,773	$0	$2,291	$0	$0	$0	$0	$0
37	Shared Services charged to TBL	$33,400,000	$45,300,000	$39,400,000	$36,100,000	$18,100,000	$18,200,000	$18,800,000	$19,300,000	$19,900,000
38	**Expense Total**	**$34,968,971**	**$46,665,264**	**$41,060,592**	**$37,628,933**	**$19,881,196**	**$20,043,538**	**$20,708,062**	**$21,274,844**	**$21,943,964**

	Capital G&A	2001 Actuals	2002 Actuals	2003 Actuals	2004 Actuals	2005 SOY	2006 Target PFR	2007 Target PFR	2008 Target PFR	2009 Target PFR
39	**Executive Office**	($4,641)	($17,000)	$0	($7,647)	$0	$0	$0	$0	$0
40	**Employee and Business R.**									
41	Human Resources Div & EEO	$65,210	$45,194	$0	$2,414	$0	$0	$0	$0	$0
42	Contracts and Property Mngmt	$607	$0	$0	$0	$0	$0	$0	$0	$0
43	Security	$518	$0	$0	$119,539	$0	$75,000	$0	$0	$0
44	**Chief Operating Officer**									
45	Chief Financial Officer	$30,306	$36,880	$14,370	$100,670	$0	$0	$0	$5,000,000	$3,000,000
46	Information Technology	$3,299,618	$3,672,268	$356,670	$869,548	$30,000,000	$30,372,470	$30,865,841	$29,426,992	$33,308,781
47	**General Counsel**	$75,808	$84,972	$87,641	$75,329	$131,742	$136,353	$141,126	$146,064	$151,177
48	**Capital Total**	**$3,467,427**	**$3,822,315**	**$458,681**	**$1,159,854**	**$30,131,742**	**$30,583,823**	**$31,006,967**	**$34,573,056**	**$36,459,958**

Attachment #2

2005 PBL Program Functional Review (PFR) Corporate Costs
Corporate and Shared Services Expenses by Organization (Excluding EF&W)
Comparison of Operating Year and Actuals for FY 2003 and 2004

	Expense G&A	2003		2004	
		OY Budget	Actuals	OY Budget	Actuals
1	**Executive Office**	$567,479	$569,830	$699,832	$890,517
2	**Deputy Administrator**				
3	Deputy Administrator	$1,778,199	$1,305,058	$422,568	$301,655
4	National Relations	$837,401	$657,580	$858,000	$678,042
5	Communications	$1,943,300	$1,756,101	$1,992,321	$1,988,669
6	Strategic Planning	$820,340	$582,417	$875,535	$695,980
7	Regional Relations	$1,779,649	$2,310,897	$1,674,039	$1,517,393
8	Tribal Relations	$575,785	$522,187	$294,844	$320,089
9	Industry Restructuring	$2,242,200	$1,488,391	$2,732,986	$2,232,666
10	**Employee and Business R.**				
11	Employee and Business R	$756,710	$616,690	$327,242	$296,052
12	Human Resources Div & EEO	$1,976,111	$1,856,090	$1,493,702	$1,820,786
13	Safety	$1,586,317	$1,454,018	$1,676,520	$1,595,899
14	Contracts and Property Mngmt	$681,528	$616,410	$668,054	$632,569
15	Security	$4,209,567	$4,164,570	$4,151,715	$4,536,389
16	**Chief Operating Officer**				
17	Chief Operating Officer	$1,029,750	$1,011,395	$1,414,564	$1,165,226
18	Corporate and Executive Ops	$0	$0	$2,360,342	$2,228,864
19	Chief Financial Officer	$9,835,712	$8,599,434	$9,459,252	$9,147,140
20	Chief Risk Officer	$0	$0	$2,720,038	$2,342,831
21	Internal Audit	$1,512,000	$1,457,955	$1,283,800	$1,200,457
22	Office of Chief Information Officer	$2,110,350	$2,015,229	$3,361,231	$2,966,716
23	BES Support Services	$6,622,296	$5,314,918	$5,782,300	$4,724,394
24	Information Technology				
25	**General Counsel**	$6,801,537	$7,444,070	$6,801,610	$5,861,291
26	**Shared Services**				
27	Shared Services Information Services	$26,016,277	$25,950,145	$27,375,126	$26,912,683
28	Workplace Services	$27,347,001	$27,299,567	$24,937,883	$23,873,027
29	Personnel Services	$10,727,807	$9,736,607	$10,457,289	$10,415,190
30	SS Front Office	$1,955,361	$1,191,568	$326,983	$326,707
31	Purchasing	$2,360,640	$2,171,099	n/a	n/a
32	**Expense Total**	**$116,073,317**	**$110,092,226**	**$114,147,776**	**$108,671,232**

Drivers for cost savings in FY 2003 and 2004: FY 03 and 04 actuals were 95% of operating year budgets. The differences are due to reduced personnel costs and service contracts. Personnel costs were less than budgeted because of savings achieved through less training and travel, staff turnover, and unanticipated staffing vacancies. Service contracts were less due to timing of Industry Restructuring work, savings in BES contracts and reduced financial and management consulting. The FY 05 operating year budget has been reduced by $920K to reflect some of the staffing turnover savings.