



Bonneville Power Administration's FY 2009 Power Cost Review Workshop

May 15, 2008



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Purpose & Objective of Workshop

- The purpose of this workshop is to provide customers with a comparison and explanation of changes to estimates of FY 2009 Power Program Costs between the 2007-2009 Rate Case estimates, the 2009 Supplemental Rate Case, and current proposed program levels.
- This workshop will also provide additional detail surrounding specific programs for which we do not have separate workshops scheduled.



Comment Periods

- Comment Period for FY 2009 Power Costs
 - Draft decision letter sent out June 6
 - Comment period June 6 through June 19
 - Decisions reported in a closeout letter early July
- Comment Period for FY 2010 and Beyond
 - Draft decision letter sent out July 7
 - Comment period July 7 through August 15
 - Decisions reported in a closeout letter September 1



FY 2009 Power Costs Summary



Power Expenses FY 2009 Rate Case & Proposed FY 2009

\$ thousands	2009 in WP-07 Rate Case	Supplemental Rate Case	Change between WP- 07 and Supplemental Rate Case	Current Forecast	Change between Current Forecast and Supplemental Rate Case	Total Change - WP-07 Rate Case to Current Forecast	
Power Program	FY 2009	FY 2009	FY 2009	FY 2009	FY 2009	FY 2009	
Columbia Generating Station O&M	242,842	274,342	31,500	293,700	19,358	50,858	Workshop May 20 AM
Corps & Reclamation O&M for Hydro Projects	248,173	248,173	0	261,600	13,427	13,427	Workshop May 21 PM
Long Term Generation Program	25,751	31,864	6,113	31,613	(251)	5,862	In this package
Power Purchases incl DSI Monetized Power Sales	292,210	316,575	24,365	316,454	(121)	24,244	
Residential Exchange Payments/Other Settlements	337,320	211,000	(126,320)	212,985	1,985	(124,335)	Workshop May 20 PM
Renewables (incl rate credit)	41,917	53,414	11,497	43,955	(9,459)	2,038	Workshop May 22 AM
Generation Conservation (including Conservation Rate Credit)	70,347	79,414	9,067	84,526	5,112	14,179	Workshop May 22 AM
Internal Operations	126,941	126,941	0	140,307	13,366	13,366	Workshop May 20 AM
Transmission Purchases, Reserve/Ancillary Services	177,525	177,515	(10)	176,073	(1,442)	(1,452)	Workshop May 20 AM
Fish & Wildlife/USF&W/Planning C	173,353	173,367	14	229,439	56,072	56,086	Workshop May 21 AM
Net Interest, Amortization, Depreciation, & Non Federal Debt	937,393	901,530	(35,863)	911,946	10,416	(25,447)	In this package
Other – Colville Settlement, Non-Operating Generation	24,649	24,649	0	27,413	2,764	2,764	In this package
Total	2,698,421	2,618,784	(79,637)	2,730,011	111,227	31,590	
Total Increase/Decrease		(79,637)	(79,637)	111,227	190,864		



Major Changes from WP-07 To Supplemental Rate Case

- CGS O&M costs - \$31.5 million increase to reflect more recent estimates of future requirements.
- Long-term Generation Program - \$6 million increase to include Idaho Falls Bulb Turbine as a generating resource
- Renewables - \$11.5 million increase to account for a new contract to purchase a portion of the output of the Klondike III Wind Project, and increased projected spending levels for renewable resource facilitation and research and development activities made possible by higher projected Green Tag revenues
- Conservation - \$9 million increase for Energy Efficiency projects, however, this is a reimbursable program so there is a corresponding increase in the forecast of miscellaneous revenues.
- Net interest, depreciation and amortization - \$(36) million decrease as a result of reflecting historical investment results for FY 2006 and FY 2007, which were forecast periods in the WP-07 Final Proposal.



Major FY 2009 Cost Changes from Supplemental Proposal to IPR

Operating Generation:

- Columbia Generating Station (CGS) O&M - \$19.4 million increase due to investments to make reliability improvements and to increase the long term viability of the plant.
- Corps of Engineers and Bureau of Reclamation O&M - \$13.4 million increase due to investment for maintenance reliability, extraordinary maintenance and WECC/NERC compliance requirements.
- Internal Operations (Power Non-Generation Operations – P depts. only) - \$6 million increase due primarily to staff increases for resource development, regional dialogue, scheduling, inventory production processes, LOLP/capacity modeling, RD implementation in short-term planning and modeling, Slice Regional Dialogue implementation, significant expansion of data/analysis needs for new asset management and capital allocation processes/initiatives, and wind integration. \$800 thousand additional cost for Elwah project National Park Foundation payment.
- Corporate Internal Operations (Agency Services direct and allocated to Power) - \$8.8 million increase – multiple reasons.
- Conservation Generation - \$5.1 million increase due to providing additional conservation acquisition and load management resources to achieve accelerated conservation targets and load mgmt. work related to 2008 Resource Plan.
- Net Interest, Amortization (depreciation for intangible assets), Depreciation and Non-Federal Debt Service - \$(25.4) million decrease due to lower-than-forecast capital investments for FY 2006-2008 than forecast.
- Colville Generation Settlement - \$3.2 million increase due to higher sales revenues in terms of price; reflects expected value in line with higher actuals in FY 2007 and FY 2008.
- Residential Exchange - \$1.5 million in implementation costs (salary, travel, support contracts, etc.).



FY 2009 Forecasted Expense Levels

The following topics are described in this package:

- Net Interest/ Depreciation/ Amortization/ Non Federal Debt Service
- Long Term Generating Projects
- Colville Settlement
- Non-Operating Generation



FY 2009 Power Expenses Depreciation and Amortization

\$ thousands	WP-07 Rate Case	Supplemental Rate Case	Change from WP-07 to Supplemental	IPR	Change from Supplemental to IPR	Change from WP-07 to IPR
	FY 2009	FY 2009	FY 2009	FY 2009	FY 2009	FY 2009
Program Level Spending	205,857	190,249	-15,608	191,509	1,260	-14,348

Program:

This program includes:

- Depreciation: the annual depreciation of revenue-producing assets and ongoing infrastructure investments through BPA direct funding for hydro projects, and appropriated investment for fish mitigation program at hydro projects managed by the Corps of Engineers, and;
- Amortization: The annual depreciation of non-revenue-producing assets such as conservation, direct fish and wildlife investment (non-appropriated), and appropriated Corps fish and wildlife studies that did not result in physical assets.

Drivers of Change:

- Changes between the forecasts are attributable to there being less actual investment in FY 2007 and 2008 than was forecast.



FY 2009 Power Expenses Depreciation and Amortization

\$ thousands	WP-07 Rate Case	Supplemental Rate Case	Change from WP-07 to Supplemental	IPR	Change from Supplemental to IPR	Change from WP-07 to IPR
	FY 2009	FY 2009	FY 2009	FY 2009	FY 2009	FY 2009
Program Level Spending	205,857	190,249	-15,608	191,509	1,260	-14,348

	WP- 07	Supplemental	IPR
DEPRECIATION:			
BPA	20,853	11,000	11,661
Corps/Bureau	103,741	101,276	101,016
Total	124,594	112,276	112,677
AMORTIZATION:			
Fish & Wildlife	21,889	21,634	22,101
CRFM Intangible Asset	0	4,893	4,955
Conservation - Legacy	27,283	27,283	27,283
Conservation - ConAug	16,091	13,335	13,335
Conservation - Acquisitions	16,000	10,828	11,158
Total	81,263	77,973	78,832



Changes to Capital Investment Assumptions

	2007	2008	2009
Fish & Wildlife Capital:			
WP-07	36,000	36,000	36,000
Supplemental	35,635	36,000	36,000
IPR	35,635	36,000	50,000
Conservation - Acquisitions Capital:			
WP-07	32,000	32,000	32,000
Supplemental	6,139	32,000	32,000
IPR	6,139	32,000	35,295
Capital Equipment Plant in Service:			
WP-07	11,250	11,250	11,250
Supplemental	4,742	11,250	11,250
IPR	4,742	11,250	11,250
Corps/Bureau Plant In Service:			
WP-07	54,347	25,733	163,270
Supplemental	58,003	25,733	163,270
IPR	62,647	25,733	124,694
Columbia River Fish Mitigation Plant In Service:			
WP-07	82,621	59,825	62,425
Supplemental	45,950	59,825	62,425
IPR	45,950	59,825	62,425
Total			
WP-07	216,218	164,808	304,945
Supplemental	150,469	164,808	304,945
IPR	155,113	164,808	283,664



FY 2009 Power Expenses

Net Interest

\$ thousands	Rate Case	Supplemental Rate Case	Change from Rate Case to Supplemental	IPR	Change from Supplemental to IPR	Change from Rate Case to IPR
	FY 2009	FY 2009	FY 2009	FY 2009	FY 2009	FY 2009
Program Level Spending	177,499	157,256	-20,243	155,411	-1,845	-22,088

Program:

- This program includes interest on bonds and appropriations netted against interest credit from the Bonneville Fund.

Drivers of Change:

- Changes between the WP-07 Rate Case forecast and the Supplemental are driven largely by differences in what was assumed for borrowing from Treasury and for Corps investments to be placed into service, compared to what actually occurred, for FY 2006, 2007 and 2008.

	WP- 07	Supplemental	IPR
NET INTEREST EXPENSE			
Appropriations	202,008	214,114	211,439
Bonds	81,590	56,095	59,685
Interest Credit	(52,347)	(59,201)	(59,201)
Amortization of Capitalized Bond Premium	185	185	185
Capitalization Adjustment	(45,937)	(45,937)	(45,937)
AFUDC	(8,000)	(8,000)	(10,760)
Net Interest	177,499	157,256	155,411



Changes in Bonds and Appropriations

The following table shows the assumed bonds received and paid, and the assumed new obligations on appropriated investment and appropriations repayments for each year, for each of the three rate case forecasts of net interest.

BONDS:		2006	2007	2008	2009	Major changes
Received:						
	WP-07	194,842	213,125	226,875	221,500	Total Debt assumed in WP-07 for FY 2006 was \$74 million higher than the actual debt for that year.
	Supplemental	134,681	165,000	226,875	221,500	
	IPR	134,681	165,000	238,075	226,556	
Repayment						
	WP-07	125,062	20,000	104,300	47,990	Total Debt assumed in WP-07 for FY 2007 was \$78 million higher than the actual debt for that year.
	Supplemental	185,062	188,357	104,300	92,990	
	IPR	185,062	188,357	104,300	92,890	
APPROPRIATIONS:						
Received:						
	WP-07	393,475	82,621	59,825	62,425	The amount assumed in WP-07 to be repaid in FY 2007 was lower than assumed in Supplemental and Current Forecast
	Supplemental	380,103	52,629	59,825	62,425	
	IPR	380,103	52,629	59,825	62,425	
Repayment						
	WP-07	136,414	196,331	136,183	55,075	The amount assumed in WP-07 and Supplemental to be repaid in FY 2008 was lower than assumed in Current Forecast.
	Supplemental	76,214	57,943	136,183	10,075	
	IPR	76,214	57,943	173,183	10,075	
TOTAL DEBT:						
NEW:						
	WP-07	588,317	295,746	286,700	283,925	
	Supplemental	514,784	217,629	286,700	283,925	
	IPR	514,784	217,629	297,900	288,981	
REPAID:						
	WP-07	261,476	216,331	240,483	103,065	
	Supplemental	261,276	246,300	240,483	103,065	
	IPR	261,276	246,300	277,483	103,065	



FY 2009 Power Expenses Non-Federal Debt Service

\$ thousands	Rate Case	Supplemental Rate Case	Change from Rate Case to Supplemental	IPR	Change from Supplemental to IPR	Change from Rate Case to IPR
	FY 2009	FY 2009	FY 2009	FY 2009	FY 2009	FY 2009
Program Level Spending	554,014	555,323	1,309	564,466	9,143	9,143

Program:

- This program is driven by BPA’s strategic direction related to our financial objectives: ensure sustainable access to capital, ensure cost recovery over time, and maintain adequate cash flow for liquidity and Treasury payment.

Drivers of Change:

- Increased capital investment at CGS



FY 2009 Power Expenses

Long Term Generating Projects

\$ thousands	Rate Case	Supplemental Rate Case	Change from Rate Case to Supplemental	IPR	Change from Supplemental to IPR	Change from Rate Case to IPR
	FY 2009	FY 2009		FY 2009	FY 2009	FY 2009
Program Level Spending	25,751	31,864	6,113	31,613	-251	5,862

Program:

- This program consists of output contracts for generating resources, such as Cowlitz Falls, Billing Credits Generation, Wauna, Elwah Dam, Idaho Falls Bulb Turbine, and Clearwater Hatchery Generation.
- Most of the expenses associated with the long term generating projects are based on energy production at the generating units, and therefore are offset by revenues.

Driver of Change:

- The WP-07 rate proposal did not include Idaho Falls Bulb Turbine as a generating resource.
- Opportunities for Improvement: Little opportunity because prices are contractual

Risks:

- Unplanned or forced outages resulting in reduced secondary sales
- Non-routine extraordinary maintenance – infrequent, high-dollar projects due to plant failure or overdue maintenance that cannot be capitalized.



FY 2009 Power Expenses Colville Settlement

\$ thousands	Rate Case	Supplemental Rate Case	Change from Rate Case to Supplemental	IPR	Change from Supplemental to IPR	Change from Rate Case to IPR
	FY 2009	FY 2009	FY 2009	FY 2009	FY 2009	FY 2009
Program Level Spending	17,749	17,749	0	20,909	3,160	3,160

Program:

- This program is based on a settlement agreement between Colville Tribes to pay an annual settlement amount based on actual output of Grand Coulee Dam.

Drivers of Change

- The cost increased due to increased output from Coulee Dam last year as well as total sales/prices in revenues.

Risks and Opportunities: Variability is based on output



FY 2009 Power Expenses Non-Operating Generation

\$ thousands

	Rate Case	Supplemental Rate Case	Change from Rate Case to Supplemental	Forecasted	Change from Supplemental to IPR	Change from Rate Case to IPR
	FY 2009	FY 2009	FY 2009	FY 2009	FY 2009	FY 2009
Program Level Spending	3,300	3,300	0	2,904	-396	-396

Program:

- Includes Trojan Decommissioning & Spokane Generation Settlement

Drivers of Change: Only costs for Trojan Decommissioning are forecast.

Risks: Potential for a large settlement with the Spokane Tribe should Congress enact legislation.

Opportunities for Reductions: None



Workshop Schedule

Workshop	Date	Time
Executive Welcome & Overview	Thurs. 05/15/2008	9am-3pm
FY 2009 Power Cost Overview, Misc.	Thurs. 05/15/2008	3pm-4pm
Asset Management Overview, Agency Service Costs	Tues. 05/20/2008	9am-9:30am 9:30am-12:30am
Power's Internal Operating Costs, Power's Transmission Acquisition & Residential Exchange	Tues. 05/20/2008	1:00pm-4:00pm
Fish & Wildlife Capital/Expense with emphasis on MOA costs overall and FY 2009 F&W Program Costs, and FY 2009 Columbia River Fish Mitigation Investment	Wed. 05/21/2008	9:00am-12:00pm
Corps/Reclamation – Capital/Expense Part 1 of 2	Wed. 05/21/2008	1:00pm-4:00pm
Conservation & Energy Efficiency – (Capital/Expense), Renewable Resources Program	Thurs. 05/22/2008	9:00am-12:00pm
Columbia Generating Station	Thurs. 05/22/2008	1:00pm-4:00pm
General Manager Meeting on 2009 Costs	Thurs. 06/11/2008	9:00am-12:00pm 1:00pm-2:00pm
Fish & Wildlife Capital/Expense with an emphasis on FY2010-2011 F&W Program Costs, Hydro Ops, Lower Snake River Comp. Program & Columbia River Fish Mitigation Investment & NWPCC	Thurs. 06/12/2008	9:00am-12:00pm
Corps/Reclamation – Capital/Expense Part 2 of 2	Thurs. 06/12/2008	1:00pm-4:00pm
Transmission Capital/Expenses	Thurs. 06/19/2008	9:00am-12:00pm
Depreciation, Amortization and Interest, and Debt Management	Thurs. 06/19/2008	1:00pm-4:00pm
General Manager Meeting	Thurs. 06/26/2008	9:00am-12:00pm
IPR Concluding Workshop	Thurs. 06/26/2008	1:00pm-4:00pm



Ways to Participate

Ways to Participate

- All forums are open to the public and will be noticed on the IBR external Web site at: <http://www.bpa.gov/corporate/Finance/IBR/IPR/>.
- All Technical and Managerial workshops will be held at BPA Headquarters.
- The comment period for the IPR opens Thursday, May 15, 2008. Close of comment period for FY 2009 Power Costs is June 16, 2008. Close of comment period for all other costs is August 15, 2008.
- You have several options to provide comments to BPA:
 1. Attend one or more of the meetings listed above and give BPA your comments.
 2. Discuss your input with your Customer Account Executive, Constituent Account Executive, or Tribal Liaison.
 3. Submit written comments to Bonneville Power Administration, P.O. Box 14428, Portland OR 97293-4428.
 4. Submit comments via e-mail to: comment@bpa.gov or submitted on-line at: <http://www.bpa.gov/comment>
 5. Comments can also be sent via fax to (503) 230-3285.



BPA's Financial Disclosure Information

- All FY 2009 information was provided in May 2008 and cannot be found in BPA-approved Agency Financial Information but is provided for discussion or exploratory purposes only as projections of program activity levels, etc.“
- This information is a derived estimate for presentation purposes and cannot be found in BPA-approved Agency Financial Information but is provided for discussion or exploratory purposes only as *projections of program activity levels, etc.*