

Financial-Based and Safety-Net Cost Recovery Adjustment Clause Workshop

Thursday, August 28, 2003
Rates Hearing Room



FB & SN CRAC Workshop

August 28, 2003

Introduction

Public Comment Summary

Changes since the August 14th Workshop

- Pro Forma
- Expense Reductions
- ANR and Financials for FB/SN CRAC 2003

Calculation of FB/SN CRAC Rate Adjustments

- Contingent Recalculation
- Variable Calculation
- FB/SN CRAC rates
- FB/SN CRAC rates with Settlement

Next Steps



Public Comment Summary

- Comment Summary and Response Handout



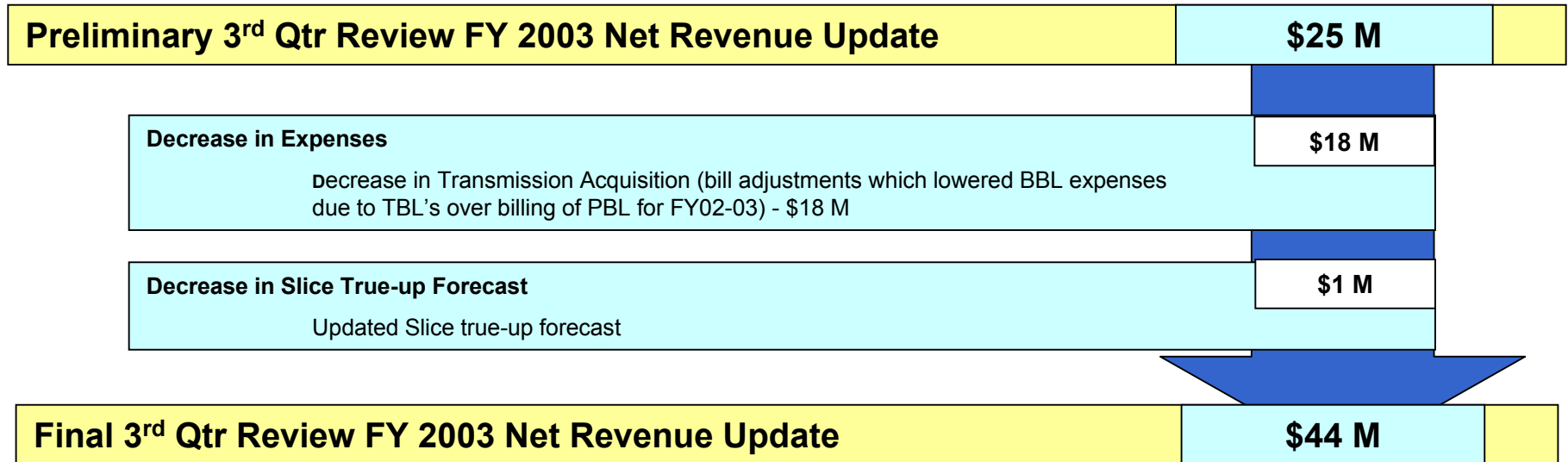
Third Quarter Review

- Updated Pro Forma Hand Out



FY 2003 Changes From the Preliminary to the Final 3rd Quarter Review

\$ in Millions





FB & SN CRAC Workshop
August 28, 2003

FY 2003-06 Expense Reductions From The SN 03 Rate Case

	Final ROD FY03 (\$000)	3 rd Q Review FY03 (\$000)	Delta (\$000)	Final ROD FY04 (\$000)	Contingent Calculation FY04 (\$000)	Delta (\$000)	Final ROD FY05 (\$000)	Contingent Calculation FY05 (\$000)	Delta (\$000)
PBL Internal Ops & Corp.	\$105,813	\$103,588	(\$2,225)	\$105,321	\$104,089	(\$1,232)	\$107,426	\$106,028	(\$1,398)
Conservation Initiatives	\$19,278	\$21,508	\$2,230	\$19,650	\$19,650	\$0	\$19,650	\$19,650	\$0
Residential Exchange	\$143,802	\$143,802	\$0	\$143,802	\$143,802	\$0	\$143,802	\$143,802	\$0
Corps and Bureau O&M	\$154,386	\$153,600	(\$786)	\$164,800	\$164,800	\$0	\$169,700	\$169,700	\$0
Other Generating Projects	\$25,917	\$25,917	\$0	\$31,346	\$31,346	\$0	\$31,938	\$31,938	\$0
Renewable Projects	\$24,702	\$20,283	(\$4,419)	\$23,821	\$23,821	\$0	\$48,654	\$48,654	\$0
Civil Service Retirement Payment	\$17,600	\$17,600	\$0	\$15,500	\$15,500	\$0	\$13,300	\$13,300	\$0
TOTAL:	\$491,498	\$486,298	(\$5,200)	\$504,240	\$503,008	(\$1,232)	\$534,470	\$533,072	(\$1,398)



FB & SN CRAC Workshop
August 28, 2003

PBL Accumulated Net Revenues

		FY 2003 3 rd Quarter Review Forecast
1	FY 2000 PBL Actual Net Revenue	\$252
2	Energy Northwest Debt Service Adjustment for FY 2000	(\$82)
3	SFAS 133 Adjustment	\$0
4	FY 2000 FB CRAC Actual Net Revenue	\$170
5	FY 2001 PBL Actual Net Revenue	(\$212)
6	Energy Northwest Debt Service Adjustment for FY 2001	(\$158)
7	SFAS 133 Adjustment	(\$48)
8	FY 2001 FB CRAC Actual Net Revenue	(\$418)
9	FY 2002 PBL Actual Net Revenue	(\$87)
10	Energy Northwest Debt Service Adjustment for FY 2002	(\$265)
11	SFAS 133 Adjustment	(\$38)
12	FY 2002 FB CRAC Actual Net Revenue	(\$390)
13	FY 2003 PBL Forecasted Net Revenue	\$247
14	Energy Northwest Debt Service Adjustment for FY 2003	(\$157)
15	SFAS 133 Adjustment	(\$46)
16	Benefits to Investor-Owned Utilities Adjustment	\$0
17	FY 2003 FB CRAC Forecasted Net Revenue	\$44
18	PBL Forecasted Accumulated Net Revenue (ANR) (line 4+8+12+17)	(\$594)



FB & SN CRAC Workshop
August 28, 2003

**Changes from BPA's SOY Reserve Level
to the final 3rd Quarter Review Forecast Level**

FY 2003 Agency Reserves
(\$ in Millions)

BPA's FY 2003 Start of Year Reserves		\$188 M
• Agency net revenues (PBL = \$44.0 M, TBL = \$0.3 M)		\$44 M
(Increase of \$19 million from August 14 Workshop)		
• Residential Exchange Deferral		\$55 M
• Depreciation in Excess of Planned Fed. Debt Amortization		\$122 M
• Rate Case ENW Debt Service	\$566 M	
Less Actual FY 2003 ENW Debt Svc	(\$109 M)	
Less Advanced Fed Debt Amort.	(\$315 M)	\$142 M
• Enron Settlement (Payment deferred until Dec. 2003)		\$12 M
• Slice True-up (FY 2003 accrual payable in FY 2004)		\$27 M
(Decrease of \$1 million from August 14 Workshop)		
• Non-Cash Interest Adjustments (Capitalization Adj.)		(\$63 M)
• ENW Net Billing Lag		(\$26 M)
• All Other		(\$18 M)
(Decrease of \$5 million from August 14 Workshop)		
BPA's FY 2003 Ending Reserves (final 3rd Quarter Review)		\$483 M



Cash Tools and Deferrals Used During FY 2003 to Increase EOY Reserves

■ ENW Reserve Fund Free-ups	\$82 M
■ Residential Exchange Deferral	\$55 M
■ Bank of America Settlement	\$22 M
■ FY 2003 Slice True-up	\$27 M
(Decrease of \$1 million from August 14th Workshop)	
■ Enron Settlement Payment	<u>\$12 M</u>
■ FY 2003 TOTAL	\$198 M



FB & SN CRAC Workshop
August 28, 2003

Calculation of FB/SN CRAC Rate Adjustments



FB and SN CRAC Final Study Forecasts

- FB and SN CRAC Parameters and Results from the Final Studies

SN-03 Final Study #3, BPA's Proposal: Variable, Flat SN CRAC, 80% TPP BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_187_SN-03_FS#3_BPA-Prop_Variable_Flat_SNN_24-Jun-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	87	141	228	408	94%	85%	351
2005	74	165	239	361	86%	TRP	06 Reserves
2006	86	155	240	351	80%	-139	113
Avg./Tot	246	460	707		'04-06 TPP	'02-06 NR	06 PBL Rsrvs
	FB%	SN%	FB+SN%	FB+SN+L B%	Rate% over 2003	Thresh	Cap
2004	11.1%	15.0%	26.0%	51.4%	3.57%	-378	320
2005	9.1%	17.0%	26.0%	54.0%	5.35%	-204	320
2006	10.3%	15.7%	25.9%	54.3%	5.52%	-161	320
Avg./Tot	10.1%	15.9%	26.0%	53.2%	4.81%		



Rates Calculation Overview

STEP 1: Contingent Calculation Calculate FB and SN CRAC Thresholds and SN CRAC Caps	STEP 2: Variable Calculation Calculate ANR and Actual FB and SN CRACs
<p>Contingent calculation takes into account:</p> <ol style="list-style-type: none"> 1. Reductions in forecasted budgets for FY 2004-2006 in Internal Operations; CGS, Corps, Bureau O&M; Fish & Wildlife costs 2. Actual and forecasted changes in PBL Net Revenues for FY2003 due to changes in hydro conditions or market prices 3. IOU/Public Settlement <p><i>Using Final Study ANR, revised with above changes, calculate new Thresholds and Caps</i></p>	<ol style="list-style-type: none"> 1. Calculate ANR using full set of 3rd Qtr. Review results (e.g., all changes in Net Revenues) 2. Calculate FB CRAC percentage 3. Calculate SN CRAC percentage <p><i>Using caps and thresholds from Step 1, and 3rd Quarter Review forecast of 2003 ANR, calculate 2004 FB CRAC and SN CRAC percentages.</i></p>
<p>* If a settlement is completed by September 15, 2003, BPA will revise the thresholds and cap calculation to account for settlement and set the '04 rates accordingly.</p>	



Contingent Recalculation

- Essentially a tune-up of Final Studies calculations.
- This step is "synthetic" – mix of old and new data.
- Recalculates SN caps, FB & SN thresholds for:
 1. Changes in 2003 NR due to hydro/market;
 2. Reductions in 2004-6 O&M (Corps, Bureau, F&W, ENW, Internal Operations), if any; and
 3. IOU-Public settlement, if any.
- Changes Since the Final Studies:
 1. Replace several months' of forecasted data with actuals
 2. Reduced standard deviation of distribution (reduced uncertainty)
 3. 2004-6 Budget Reduction in Internal Operating Expenses (\$4.3 million)*
- Updated Results Since the August 14th workshop
 1. SN CRAC caps did not change and remain at \$305M (2004 – 06)
 2. FB/SN Threshold for 2004 was reduced from -\$377M to -\$378M

* Adjustment was made between the Aug. 14th and 28th Workshops



Contingent Recalculation – Starting Point

- FB & SN CRAC parameters and results from SN-03 final studies

SN-03 Final Study #3, BPA's Proposal: Variable, Flat SN CRAC, 80% TPP BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_187_SN-03_FS#3_BPA-Prop_Variable_Flat_SNN_24-Jun-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	87	141	228	408	94%	85%	351
2005	74	165	239	361	86%	TRP	06 Reserves
2006	86	155	240	351	80%	-139	113
Avg./Tot	246	460	707		'04-06 TPP	'02-06 NR	06 PBL Rsrvs
	FB%	SN%	FB+SN%	FB+SN+LB%	Rate% over 2003	Thresh	Cap
2004	11.1%	15.0%	26.0%	51.4%	3.57%	-378	320
2005	9.1%	17.0%	26.0%	54.0%	5.35%	-204	320
2006	10.3%	15.7%	25.9%	54.3%	5.52%	-161	320
Avg./Tot	10.1%	15.9%	26.0%	53.2%	4.81%		



Cont. Recalculation – Step 1

- **Determine size of SN CRAC Caps**
 1. Use fixed (pre-determined) SN CRAC \$ for all three years
 2. Use FB & DDC Thresholds from May 2000 rate case
 3. Adjust SN CRAC \$ till FB% + SN% same for all three years, and TPP = 80%
 4. Caps will be equal to average SN \$ + \$100M (to nearest \$5M)

Run 1: Final Contingent run, fixed SN, 80% TPP for cap sizing BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_192_Run-1_Cont-Fixed-SN_80%_21-Aug-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	95	163	258	440	96%	82%	469
2005	56	219	275	436	86%	TRP	06 Reserves
2006	48	233	281	469	80%	-15	
Avg./Tot	200	615	815		'04-06 TPP	'02-06 NR	
	FB%	SN%	FB+SN%	FB+SN+L B%	Rate% over 2003	Thresh	Cap
2004	12.2%	17.3%	29.5%	54.6%	5.77%	N / A	N / A
2005	6.9%	22.6%	29.4%	57.3%	7.64%	N / A	N / A
2006	5.8%	23.6%	29.4%	57.7%	7.86%	N / A	N / A
Avg./Tot	8.3%	21.1%	29.4%	56.5%	7.09%		



Contingent Recalculation – Step 2

- **Determine Thresholds used for both SN and FB.**
 1. Use Caps calculated in Run #1
 2. FB Thresholds = SN Thresholds; Rebate Thresholds = SN Thresholds + \$15M
 3. Adjust Thresholds till FB% + SN% same for all three years, and TPP = 80%

Run 2: Final Contingent run, variable SN, 80% TPP for thresholds BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_192_Run-2_Cont-Variable-SN_80%_21-Aug-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	95	131	226	410	94%	85%	354
2005	75	163	238	363	86%	TRP	06 Reserves
2006	86	154	241	354	80%	-134	116
Avg./Tot	256	448	705		'04-06 TPP	'02-06 NR	06 PBL Rsvs
	FB%	SN%	FB+SN%	FB+SN+L B%	Rate% over 2003	Thresh	Cap
2004	12.1%	13.9%	26.0%	51.5%	3.63%	-378	305
2005	9.2%	16.8%	26.0%	54.2%	5.48%	-197	305
2006	10.4%	15.6%	26.0%	54.6%	5.76%	-150	305
Avg./Tot	10.6%	15.4%	26.0%	53.4%	4.96%		



Contingent Calculation Summary Results

- **Unless there is a settlement, these are the final Caps and Thresholds for FY 2004-6.**
- **Calculation of FB% and SN% for 2004 performed by separate spreadsheet, not by ToolKit.**

Summary Results

	Preliminary 8-14 Workshop			Final 8-28 Workshop		
	2004	2005	2006	2004	2005	2006
FB CRAC caps (unchanged from May 2000)	150	150	175	150	150	175
SN CRAC caps	305	305	305	305	305	305
FB CRAC and SN CRAC thresholds	-377	-195	-149	-378	-197	-150
Rebate thresholds*		-180	-134		-182	-135

* No rebate for 2004 – only rebates previously collected SN CRAC revenue



ToolKit Forecast versus final 3rd Quarter Review

Calculation of Rates

- ToolKit calculates rates based on 3000 games. The 2004 FB and SN CRAC rate will be calculated using the 3rd quarter ANR forecast.
- A key difference between the two approaches is that the FB CRAC expected value in ToolKit is less than what the FB CRAC is when calculated using a deterministic approach. A small percentage of games in ToolKit have the FB CRAC collecting less than the maximum amount resulting in a lower average FB CRAC rate.
- When the 2004 final rates were calculated, the FB CRAC was calculated first. The SN CRAC was then calculated to recover the remaining shortfall.
- Even when the FB CRAC does not trigger to its maximum allowable amount, there is still an SN CRAC. This is due to the fact that the FB CRAC assumes 0% SLICE. Because there is SLICE, the FB CRAC collects less than the maximum allowable amount (64% of FB CRAC amount). The remaining amount flows to the SN CRAC.



FB & SN CRAC Workshop August 28, 2003

Identifying the Revenue Basis for the CRACs

	A	B	C	D	E
1	LB Rev Basis	2004	2005	2006	
2	Slice	371,776,313	371,785,361	371,781,631	
3	Non-Slice	761,726,396	790,066,722	806,754,469	
4					
5	C&R Discount				
6	Slice	6,955,711	6,955,711	6,955,711	
7	Non-Slice	23,945,953	24,836,871	25,361,475	
8	LB Rate Basis Total	\$ 1,164,404,374	\$ 1,193,644,665	\$ 1,210,853,287	(All but LDD)
11					
12	IOU Adjustments				
13	Slice add'l benefits	\$17,661,358	\$17,661,358	\$17,661,358	
14					
15	Slice True-up	39,286,000	69,534,000	67,689,000	
16					
17	FB Rev Basis				
18	Non-Slice B3+B7	785,672,349	814,903,593	832,115,944	
19	Slice B2+B6+B13+B15	435,679,382	465,936,430	464,087,700	
20	Total	\$ 1,221,351,732	\$ 1,280,840,023	\$ 1,296,203,645	
21	Ratio B18/B20	64.33%	63.62%	64.20%	
22					
23	IOU add'l 900aMW	156,214,656	155,787,840	155,787,840	
24					
25	SN Rev Basis				
26	B18+B23	\$ 941,887,005	\$ 970,691,433	\$ 987,903,784	
27					
28	Puget / PacCorp 619 aMW				
29	Not in SN Rev Basis above	107,440,969	107,147,414	107,147,414	
30	because it reduces LB CRAC				



FB & SN CRAC Workshop

August 28, 2003

Calculation of FY 2004 FB and SN CRAC

FY2004 Calculation of Rates					
		2004			
\$ in thousands		Oct-Sep			
FB CRAC				FB CRAC formula	
Threshold	\$	(378,000)		FB CRAC% = (Threshold - ANR) / (Rev Basis Slice + Rev Basis non-Slice)	
Cap	\$	150,000			
Rev Basis Slice	\$	435,679		Expected Revenue from the FB CRAC = FB CRAC % * Rev Basis non-Slice	
Rev Basis non-Slice	\$	785,672			
				SN CRAC formula	
SN CRAC				SN CRAC % = (Threshold - ANR - Expected Revenue from FB CRAC - CAL) /	
Threshold	\$	(378,000)		SN CRAC Rev Basis	
Cap	\$	305,000			
Rev Basis	\$	941,887		Expected Revenue from the SN CRAC = SN CRAC % * SN CRAC Rev Basis	
ANR					
Forecast w/o SN	\$	(593,781)	\$	(637,793)	
				44012	
LB CRAC					
Initial Percent		26.75%			
Revenue Basis	\$	1,164,404			
Maximum Recovery Amount (MRA)	\$	215,781			
FB CRAC Recovery Amount	\$	96,492			
CAL	\$	2,230			
SN CRAC Recovery Amount	\$	117,059			
FB CRAC %		12.28%			
SN CRAC %		12.43%			
Combined FB & SN		24.71%			
LB Reduction in \$s		13355			
LB Reduction in %		1.15%			
Overall Rate		50.31%	Change from 2003	2.81%	

	Rate Increase	Recovery Amount
LB CRAC	25.60%	\$ 298,087
FB CRAC	12.28%	\$ 96,481
SN CRAC	12.43%	\$ 117,077
Total	50.31%	\$ 511,644
SN & FB	24.71%	\$ 213,557

\$ in thousands



TPP, Rates After Calculating '04 CRACs

- **Following GRSP methodology**
- **All 2003 data updated to final 3rd Quarter Review**
- **TPP is above 80%**

Run 3: Calculate TPP with draft known GRSP CRAC % for 2004 BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_192_Run-3_TPPs-with-GRSP-04-CRACs_21-Aug-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	96	117	214	456	97%	88%	393
2005	75	166	242	399	89%	TRP	06 Reserves
2006	87	156	242	393	85%	-136	127
Avg./Tot	258	439	697		'04-06 TPP	'02-06 NR	06 PBL Rsvs
	FB%	SN%	FB+SN%	FB+SN+L B%	Rate% over 2003	Thresh	Cap
2004	12.3%	12.4%	24.7%	50.3%	2.83%	N/A	N/A
2005	9.2%	17.1%	26.4%	54.6%	5.73%	-197	305
2006	10.4%	15.7%	26.2%	54.7%	5.85%	-150	305
Avg./Tot	10.6%	15.1%	25.7%	53.2%	4.80%		



Revised Final Rates Based on 80% TPP

- **Uses Administrator's discretion from GRSPs**
- **All 2003 data updated to final 3rd Quarter Review**
- **2004 SN CRAC reduced**
- **2005/6 FB/SN CRAC recalibrated to reach 80%**
- **Same reduction from Rate Case final projections for all three years**

Run 4a: Reduce '04 SN and recalibrate '05/6 to 80%; equal reductions each year BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name:TK_192_Run-4a_TPPs-with-reduced-04-SNCRAC_21-Aug-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	96	108	204	447	96%	84%	325
2005	70	146	216	363	87%	TRP	06 Reserves
2006	80	136	216	325	80%	-206	60
Avg./Tot	247	389	636		'04-06 TPP	'02-06 NR	06 PBL Rsvs
	FB%	SN%	FB+SN%	FB+SN+L B%	Rate% over 2003	Thresh	Cap
2004	12.3%	11.5%	23.7%	49.4%	2.23%	N/A	N/A
2005	8.6%	15.0%	23.6%	52.0%	3.99%	-251	305
2006	9.6%	13.7%	23.4%	52.2%	4.11%	-237	305
Avg./Tot	10.2%	13.4%	23.6%	51.2%	3.45%		



Effects on LB CRAC

- The LB CRAC 5 rate was set in June and will take effect October 1, 2003 through March 31, 2004. Any adjustment to the LB CRAC due to SN CRAC will be captured in the true-up calculation in June of 2004.

Summary of Results

Final 6/10/03

Increased Revenue Required (LB CRAC%)	21.94%
Total Increase in revenue in dollars	\$135,145,536
Increase in the Slice Rate	21.55%
Increase in the non-Slice Rate	21.29%

- **Effect of SN CRAC on LB CRAC.**
 - The LB reduction is due to the Pac/Puget load reduction agreements.

Calculation.

Step 1: 619 aMW X \$19.76 MWh x 8784 hours.

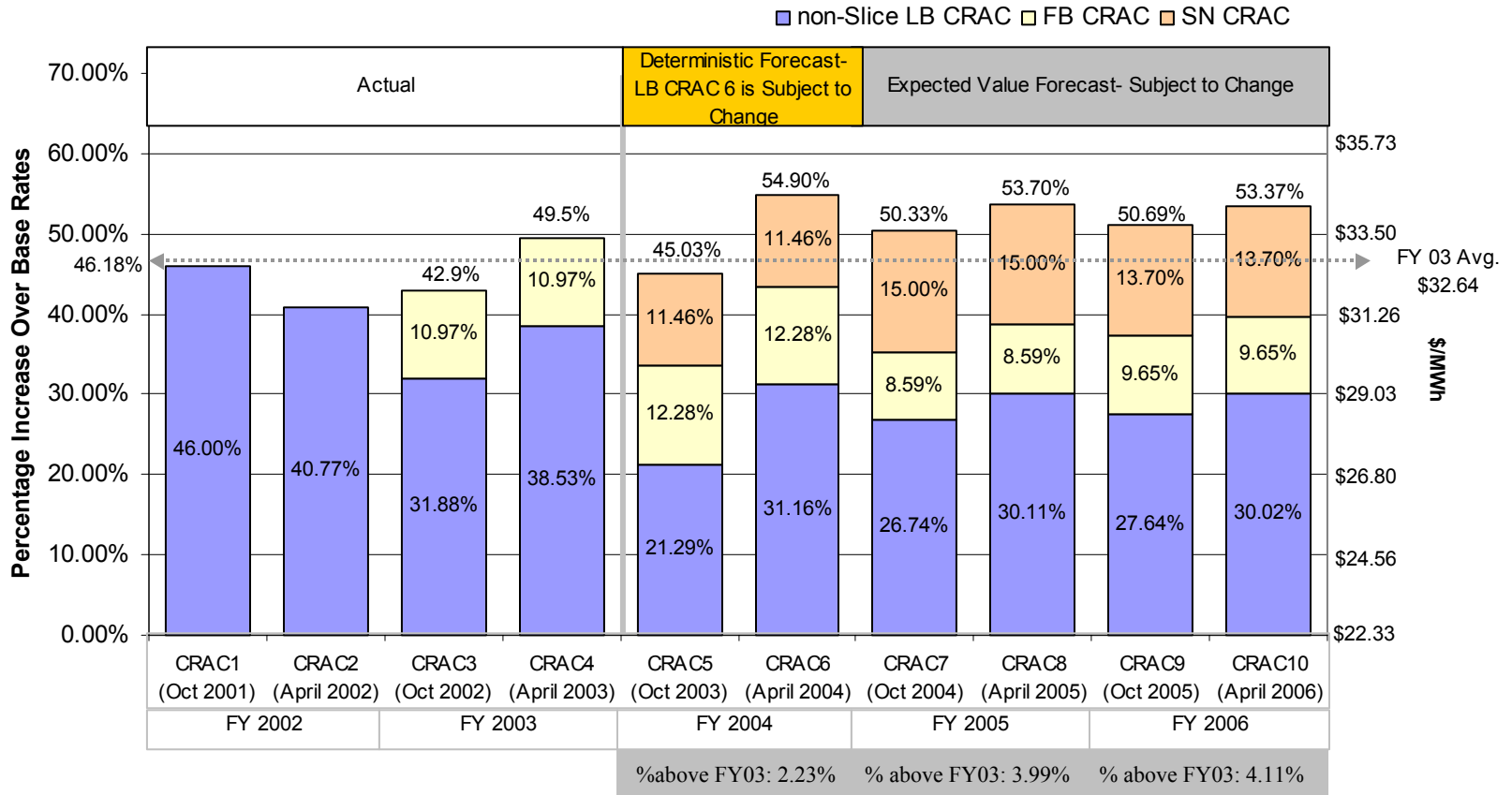
Step 2: step 1 / (SN CRAC% – (FB max – FB actual)).

Step 3: step 2 / LB CRAC revenue basis.



FB & SN CRAC Workshop August 28, 2003

Expected Power Rate Adjustments over May 2000 Base Rates for FY 2004-2006 Forecast Based on final 3rd Quarter Results



FY 2004 rates are based on a deterministic point forecast based on final 3rd Quarter Results.
 FY 2005-2006 rates are an expected value forecast calculated through ToolKit.
 Rebate not included in estimated rates (FY05-06)



Rates With Settlement



Contingent Recalc. – W/ Settlement

- This is the procedure if settlement achieved by Sept. 15, 2003 (if later, procedure to be determined)
- Essentially a tune-up of Final Studies calculations
- This step is "synthetic" – mix of old and new data
- Recalculates SN Caps, FB & SN Thresholds for:
 1. Changes in 2003 NR due to hydro/market;
 2. Reductions in 2004-6 O&M (Corps, Bureau, F&W, ENW, Internal Operations), if any; and
 3. IOU-Public settlement, if any.
- Changes Since the Final Studies:
 1. Replaced several months' of forecasted data with actuals
 2. Reduced standard deviation of distribution (reduced uncertainty)
 3. Reduced 2004-6 Internal Operation Expenses (\$4.3 million)*
 4. Eliminated litigation penalty (lowers LB CRAC, no impact on SN CRAC)
 5. Deferred financial benefit payments to IOUs from this rate period to next

* Adjustment was made between the Aug. 14th and 28th Workshops



Contingent Recalculation W/ Settlement – Starting Point

- FB & SN CRAC parameters and results from SN-03 Final Studies

SN-03 Final Study #3, BPA's Proposal: Variable, Flat SN CRAC, 80% TPP BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_187_SN-03_FS#3_BPA-Prop_Variable_Flat_SNN_24-Jun-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	87	141	228	408	94%	85%	351
2005	74	165	239	361	86%	TRP	06 Reserves
2006	86	155	240	351	80%	-139	113
Avg./Tot	246	460	707		'04-06 TPP	'02-06 NR	06 PBL Rsrvs
	FB%	SN%	FB+SN%	FB+SN+LB%	Rate% over 2003	Thresh	Cap
2004	11.1%	15.0%	26.0%	51.4%	3.57%	-378	320
2005	9.1%	17.0%	26.0%	54.0%	5.35%	-204	320
2006	10.3%	15.7%	25.9%	54.3%	5.52%	-161	320
Avg./Tot	10.1%	15.9%	26.0%	53.2%	4.81%		



Contingent Recalculation W/ Settlement – Step 1

- **Determine size of SN CRAC caps**
 1. Use fixed (pre-determined) SN CRAC \$ for all three years
 2. Use FB & DDC Thresholds from May 2000 rate case
 3. Adjust SN CRAC \$ till FB% + SN% same for all three years, and TPP = 80%
 4. Caps will be equal to average SN \$ + \$100M (to nearest \$5M)

Run 5: Draft Settlement Contingent run, fixed SN, 80% TPP for cap sizing BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_192_Run-5_Draft-Settlement_Cont-Fixed-SN_80%_21-Aug-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	95	92	187	477	98%	82%	481
2005	66	133	199	456	87%	TRP	06 Reserves
2006	68	136	204	481	80%	-227	
Avg./Tot	230	361	591		'04-06 TPP	'02-06 NR	
	FB%	SN%	FB+SN%	FB+SN+L B%	Rate% over 2003	Thresh	Cap
2004	12.2%	9.8%	21.9%	44.3%	-1.26%	N/A	N/A
2005	8.1%	13.7%	21.8%	43.7%	-1.68%	N/A	N/A
2006	8.2%	13.8%	21.9%	44.3%	-1.30%	N/A	N/A
Avg./Tot	9.5%	12.4%	21.9%	44.1%	-1.41%		



Contingent Recalculation W/ Settlement – Step 2

- Determine thresholds used for both SN and FB
 1. Use Caps calculated in run #1
 2. FB Thresholds = SN Thresholds; Rebate Thresholds = SN Thresholds + \$15M
 3. Adjust Thresholds till FB% + SN% same for all three years, and TPP = 80%

Run 6: Draft Settlement Contingent run, variable SN, 80% TPP for thresholds BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_192_Run-6_Draft-Settlement_Cont-Var-SN_80%_21-Aug-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	89	64	153	445	96%	83%	367
2005	62	102	164	385	87%	TRP	06 Reserves
2006	70	97	167	367	80%	-345	130
Avg./Tot	221	263	484		'04-06 TPP	'02-06 NR	06 PBL Rsrvs
	FB%	SN%	FB+SN%	FB+SN+L B%	Rate% over 2003	Thresh	Cap
2004	11.3%	6.8%	18.1%	40.9%	-3.62%	-451	220
2005	7.7%	10.5%	18.1%	40.3%	-4.00%	-364	220
2006	8.4%	9.8%	18.2%	40.9%	-3.63%	-391	220
Avg./Tot	9.1%	9.0%	18.2%	40.7%	-3.75%		



Contingent Recalculation W/settlement Summary Results

- **These changes to the FB CRAC and SN CRAC parameters would be final– unless the Administrator elects to impose a different SN CRAC in 2004 or 5, which would then cause a recalibration of CRAC parameters to meet the 80% TPP standard.**
- **Calculation of FB% and SN% for 2004 performed by separate spreadsheet, not by ToolKit.**

	Preliminary 8-14 Workshop			Final 8-28 Workshop		
	2004	2005	2006	2004	2005	2006
FB CRAC caps (unchanged from May 2000)	150	150	175	150	150	175
SN CRAC caps	225	225	225	220	220	220
FB CRAC and SN CRAC thresholds	-446	-354	-385	-451	-365	-391
Rebate thresholds*		-339	-370		-350	-376

* No rebate for 2004 – only rebates previously collected SN CRAC revenue



FB & SN CRAC Workshop August 28, 2003

Calculation of FB and SN CRAC – With Settlement

FY2004 Calculation of Rates - Settlement - No Rate Target						
		2004				
\$ in thousands		Oct-Sep				
FB CRAC	Threshold	\$ (451,000)	FB CRAC formula FB CRAC% = (Threshold - ANR) / (Rev Basis Slice + Rev Basis non-Slice) Expected Revenue from the FB CRAC = FB CRAC % * Rev Basis non-Slice			
	Cap	\$ 150,000				
	Rev Basis Slice	\$ 406,299				
	Rev Basis non-Slice	\$ 785,672				
SN CRAC	Threshold	\$ (451,000)	SN CRAC formula SN CRAC % = (Threshold - ANR - Expected Revenue from FB CRAC - CAL) / SN CRAC Rev Basis Expected Revenue from the SN CRAC = SN CRAC % * SN CRAC Rev Basis			
	Cap	\$ 225,000				
	Rev Basis	\$ 941,887				
	ANR					
	Forecast w/o SN	\$ (593,781)	\$ (637,793)			
			44012			
LB CRAC	Initial Percent	23.00%			Rate Increase	Recovery Amount
	Revenue Basis	\$ 1,164,404			LB CRAC	22.55% \$ 262,573
					FB CRAC	11.98% \$ 94,124
					SN CRAC	4.93% \$ 46,435
					Total	39.46% \$ 403,132
					SN & FB	16.91% \$ 140,559
	Maximum Recovery Amount (MRA)	\$ 142,781				
	FB CRAC Recovery Amount	\$ 94,112				\$ in thousands
	CAL	\$ 2,230				
	SN CRAC Recovery Amount	\$ 46,439				
	FB CRAC %	11.98%				
	SN CRAC %	4.93%				
	Combined FB & SN	16.91%				
	LB Reduction in \$s	5297				
	LB Reduction in %	0.45%				
	Overall Rate	39.46%	Change from 2003	-4.61%		



TPP, Rates With Settlement After Calculating '04 CRACs

- **Following GRSP methodology**
- **All 2003 data updated to final 3rd Quarter Review**
- **TPP is above 80%**

Run 7: Calculate TPP with Settlement with draft GRSP CRAC % for 2004 BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_192_Run-7_Settlement_TPPs-with-GRSP-04-CRACs_21-Aug-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	94	46	141	491	98%	87%	396
2005	64	103	168	418	90%	TRP	06 Reserves
2006	72	99	171	396	84%	-357	131
Avg./Tot	231	248	479		'04-06 TPP	'02-06 NR	06 PBL Rsrvs
	FB%	SN%	FB+SN%	FB+SN+L B%	Rate% over 2003	Thresh	Cap
2004	12.0%	4.9%	16.9%	39.5%	-4.60%	N/A	N/A
2005	7.9%	10.6%	18.5%	40.7%	-3.72%	-364	220
2006	8.7%	10.0%	18.7%	41.3%	-3.34%	-391	220
Avg./Tot	9.5%	8.5%	18.0%	40.5%	-3.89%		



FB & SN CRAC Workshop

August 28, 2003

Adjusted '04 Rates – With Settlement

FY2004 Calculation of Rates with Settlement and Rate Target								
		2004						
\$ in thousands		Oct-Sep				Rate Increase	Recovery Amount	
FB CRAC					LB CRAC	22.87%	\$ 266,299	
	Threshold	\$ (451,000)			FB CRAC	11.98%	\$ 94,124	
	Cap	\$ 150,000			SN CRAC	1.99%	\$ 18,744	
	Rev Basis Slice	\$ 406,299			Total	36.84%	\$ 379,166	
	Rev Basis non-Slice	\$ 785,672			SN & FB	13.97%	\$ 112,867	
SN CRAC								
	Threshold	\$ (451,000)						
	Cap	\$ 220,000						
	Rev Basis	\$ 941,887						
ANR								
	Forecast w/o SN	\$ (593,781)	Max FB	12.58%				
LB CRAC								
	Initial Percent	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	
	Revenue Basis	\$ 1,164,404	\$ 1,164,404	\$ 1,164,404	\$ 1,164,404	\$ 1,164,404	\$ 1,164,404	
					Iteration 0	Iteration 1	Iteration 2	Iteration 3
Maximum Recovery Amount (MRA)		\$ 142,781			142781			
FB CRAC Recovery Amount		\$ 94,112			94112			
CAL		\$ 2,230			2230			
SN CRAC Recovery Amount		\$ 46,439			46439	0.50%		
						0.60%	0.60%	0.60%
FB CRAC %		11.98%			11.98%	11.98%	11.98%	11.98%
SN CRAC %						1.86%	1.98%	1.99%
LB Reduction in \$s					\$ 1,347	\$ 1,472	\$ 1,482	
LB Reduction in %					-0.12%	-0.13%	-0.13%	
Overall Rate					34.98%	36.72%	36.83%	36.84%
					36.84%	36.84%	36.84%	36.84%
					1.86%	0.12%	0.01%	0.00%



TPP for Adjusted '04 Rates – With Settlement

- **Uses Administrator’s discretion from GRSPs**
- **2004 SN CRAC reduced until total 2004 rates 6.4% below 2003**
- **2005/6 FB/SN CRAC recalibrated to reach 80% three-year TPP**

Run 8a: Calculate TPP with Settlement meeting -6.4% rate target for '04 & 80% TPP BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_192_Run-8a_Settlement_TPPs-with-04-rate-pledge_21-Aug-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	94	19	113	465	97%	83%	347
2005	61	96	157	379	87%	TRP	06 Reserves
2006	68	92	160	347	80%	-408	81
Avg./Tot	224	207	430		'04-06 TPP	'02-06 NR	06 PBL Rsrvs
	FB%	SN%	FB+SN%	FB+SN+L B%	Rate% over 2003	Thresh	Cap
2004	12.0%	2.0%	14.0%	36.8%	-6.39%	N/A	N/A
2005	7.5%	9.9%	17.4%	39.7%	-4.43%	-414	220
2006	8.2%	9.3%	17.5%	40.3%	-4.05%	-455	220
Avg./Tot	9.2%	7.1%	16.3%	38.9%	-4.96%		



Effects on LB CRAC – With Settlement

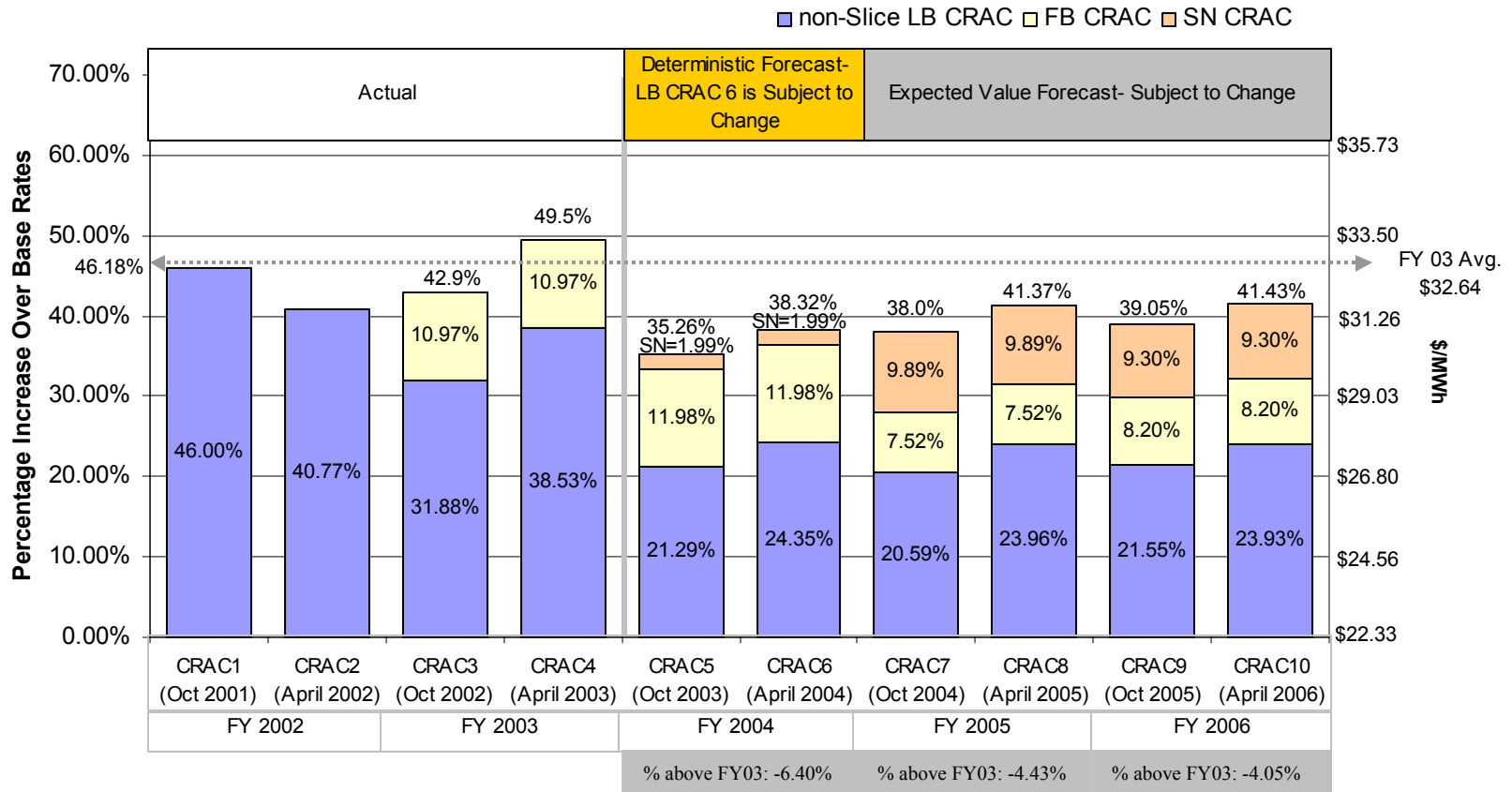
- **If the IOU-Public litigation is dropped there will be a reduction of \$40M in 2004 and \$80M in 2005 and \$80M in 2006 from the LB CRAC calculation.**
- **BPA's LB CRAC expenses go down;**
- **BPA's LB CRAC revenue goes down by same amount;**



FB & SN CRAC Workshop August 28, 2003

Expected Power Rate Adjustments over May 2000 Base Rates for FY 2004-2006 w/ Settlement

Forecast Based on final 3rd Quarter Results



FY 2004 rates are based on a deterministic point forecast based on the final 3rd Quarter Results.

FY 2005-2006 rates are an expected value forecast calculated through ToolKit.

Rebate not included in estimated rates (FY05-06)



Rates Without an SN CRAC



TPP & Rate Calculation if the SN CRAC is not Implemented (w/o settlement)

- **Uses FB CRAC and DDC thresholds from May 2000 rate case.**

Run 4c: No SN CRAC BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_192_Run-4c_No-SNCRAC_21-Aug-03.xls				\$55m deferral is moved beyond 2006			
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	96	0	96	404	93%	49%	12
2005	77	0	77	180	64%	TRP	06 Reserves
2006	93	0	93	12	48%	-590	-254
Avg./Tot	267	0	267		'04-06 TPP	'02-06 NR	06 PBL Rsvs
	FB%	SN%	FB+SN%	FB+SN+L B%	Rate% over 2003	Thresh	Cap
2004	12.3%	0.0%	12.3%	39.0%	-4.89%	N/A	N/A
2005	9.5%	0.0%	9.5%	39.0%	-4.93%	-299	N/A
2006	11.2%	0.0%	11.2%	40.9%	-3.63%	-299	N/A
Avg./Tot	11.0%	0.0%	11.0%	39.6%	-4.48%		



TPP & Rate Calculation if the SN CRAC is not Implemented (w/ settlement)

- **Uses FB CRAC and DDC thresholds from May 2000 rate case**
- **The maximum possible rate reduction is now 7.25%.**

Run 8c: Calculate TPP with Settlement and No SN CRAC in 04 thru 06 BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_192_Run-8c_Settlement_No_SN_21-Aug-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	99	0	99	452	96%	62%	189
2005	78	0	78	291	74%	TRP	06 Reserves
2006	94	0	94	189	61%	-573	-77
Avg./Tot	270	0	270		'04-06 TPP	'02-06 NR	06 PBL Rsvs
	FB%	SN%	FB+SN%	FB+SN+L B%	Rate% over 2003	Thresh	Cap
2004	12.6%	0.0%	12.6%	35.6%	-7.25%	N/A	N/A
2005	9.6%	0.0%	9.6%	32.3%	-9.46%	-299	N/A
2006	11.2%	0.0%	11.2%	34.3%	-8.10%	-299	N/A
Avg./Tot	11.1%	0.0%	11.1%	34.1%	-8.27%		



Summary: 2004 Power Rates

2004 Average Rates, Change from Average 2003 Rates:

All CRACs Included

	<u>Final 8/28</u>
No Settlement	+ 2.2%
With Settlement	- 6.4%

For Comparison:

- *August 14th Workshop w/out Settlement* + 3.1%
- *June Final SN CRAC Proposal* + 3.8%
- *No SN CRAC, No Settlement* - 4.9%
- *No SN CRAC, with Settlement* - 7.25%



Next Steps

- **Without settlement, the rates presented today are the official rates that take effect on October 1st.**

- **Schedule**
 - **September 18th Workshop (tentative- settlement contingent)**
 - **October 1st, FY04 Rates Take Effect**