Summary of Comments Received During FB/SN CRAC Public Comment Period and BPA Response AUGUST 28, 2003

Introduction:
During the FB/SN CRAC comment period, BPA received 37 comments from interested persons. Comments were received from the general public, stakeholders, both publicly owned and investor-owned utilities, utility organizations, rate case parties and BPA's direct-service industry customers.

The comments are summarized below along with BPA's responses. For further information regarding BPA's responses to these documents, please see BPA's "2003 Safety-Net Cost Recovery Adjustment Clause Final Proposal, Administrator's Final Record of Decision, SN-03-A-02, June 2003," which is incorporated by reference.

Comment	BPA Response
1. "Trigger" not met, so don't implement SN CRAC.	The SN CRAC process was triggered in February when the agency's Treasury payment probability (TPP) for FY 2003 was well below the 50 percent trigger point. BPA thoroughly addressed arguments regarding whether the SN CRAC properly triggered in BPA's "2003 Safety-Net Cost Recovery Adjustment Clause Final Proposal, Administrator's Final Record of Decision, SN-03-A-02, June 2003." While the trigger is based on a one-year TPP, the solution is for the entire rate period. However, the SN CRAC implementation results in a flexible rate and can adjust to the agency's improved financial condition. It is currently expected to be much lower than it was projected to be when the process began.
2. The region is experiencing poor economic conditions, so don't implement SN CRAC.	BPA understands the current state of the regional economy and that is why BPA has vigorously pursued cost cuts and deferrals, which have greatly reduced the proposed level of the SN CRAC. It is also why BPA is supporting efforts to settle litigation regarding BPA's Residential Exchange program settlement agreements with regional investor-owned utilities, which provide benefits to such utilities' residential and small-farm customers. BPA, however, is required by law to recover its total costs through rates. BPA cannot take steps that will put the agency at risk of not making its annual payment to the U.S. Treasury, which is why so much emphasis is placed on the TPP standard. Were BPA to miss a Treasury payment, there is a high likelihood that the agency would come under pressure to abandon both public preference and cost-based rates. The region would suffer significant long-term economic harm were it to lose the legislatively mandated benefits of public preference and cost-based rates.
3. BPA should reduce costs to reduce the size of the SN CRAC adjustment.	The agency has reduced costs and continues to do so. Before the SN CRAC triggered, BPA had reduced its projected expenses for the rate period by about $350 million through cost reductions, deferrals and other methods. BPA reduced agency costs attributed to the Power Business Line by an additional $40 million since the SN CRAC process ended in June. BPA has also committed to keeping those costs at FY 2001 actual levels for the balance of the rate period. PBL will continue to look for cost reductions while recognizing that there is only so far BPA can go and still provide the services that customers demand.

Comment	BPA Response
5. BPA should realize financial benefits by eliminating summer spill.	BPA is fully supportive of efforts to provide biological benefits to salmon at less cost. BPA just requested that this summer's spill end two weeks early because such a shortening appears to be scientifically sound and within the framework of the biological opinion. However, the request was turned down by the states and federal action agencies, and BPA cannot unilaterally decide to reduce spill. BPA is presently working with other federal agencies on a response to Judge Redden's remand of the biological opinion under which the Federal Columbia River Power System operates. BPA believes that the remand process is the best venue for attaining long-term savings from limiting spill.
6. Fully explore additional financial management tools.	BPA used about $200 million in cash management tools during the current fiscal year to assure liquidity. BPA believes that the tools used were prudent but that further use of cash management tools simply moves debt into the future and may well prolong BPA's and the region's financial difficulties.
7. If BPA retains current SN CRAC process, a revised threshold level is required for FY 2005 and 2006. Other processes need revision to protect customers.	The caps and thresholds were determined as part of the SN CRAC rate process that was concluded in June and can only be changed as the result of a formal rate case process in which all parties are entitled to comment.
8. BPA's administrator should use his authority to stop this process/decrease the rate.	The SN CRAC is flexible and the administrator has already made an agreement to use his discretionary powers to create an overall rate decrease of 6.4 percent if there is an agreement between public power and the investor-owned utilities over benefits to IOU residential and small-farm customers. The administrator has also used his discretion to lower the SN CRAC in FY 2004 by reducing the Treasury payment probability from 85 percent to 80 percent for the rate period. BPA, however, is required to recover its total costs through rates.
9. A settlement is not the only way to reduce rates. Tying the imposition of an SN CRAC to the settlement of an outstanding lawsuit is inappropriate.	Settlement is the only remaining way to have a significant impact on rates. BPA has cut and deferred all costs to the extent it is prudent. The settlement is the single way to have the most impact on rates. The settlement is tied to BPA's rates because it provides reduced or deferred costs, which reduce rates.
10. Develop energy policies that protect American jobs.	This is a national concern that BPA supports. Within the region, BPA is doing what it considers prudent in cutting expenses and working to get its rates as low as possible. Again the public/IOU settlement is the biggest and best way to reduce regional electricity rates. If BPA reduces its rates to the point that its Treasury payment is in jeopardy, it places the Northwest economy in further jeopardy, as noted in the response to comment 2. The loss of cost-based rates for preference customers would place more regional jobs in jeopardy than is the case with the very small rate increase contained in the current SN CRAC adjustment.

Comment	BPA Response
11. The administrator is risking thousands of jobs in the Pacific NW/ an end to my job.	The administrator is cognizant of the economy and jobs in the Northwest and has already made agreements to use his discretionary powers to create an overall decrease of 6.4 percent if there is an agreement between public power and the investor-owned utilities over benefits to IOU residential and small-farm customers. The administrator has also used his discretion to lower the SN CRAC in FY 2004 by reducing the Treasury payment probability from 85 percent to 80 percent for the remainder of the rate period. Again, reducing BPA's rates below the level required for the agency to make its Treasury payment places many more jobs at risk. The administrator demonstrated his concern for regional aluminum jobs in 2001 when he chose to have BPA pay aluminum workers' salaries and benefits for two years. When aluminum companies shut down or curtailed operation because of the high market costs of electricity, BPA paid the companies' state and local taxes in order to support the local communities. The aluminum companies were to use BPA payments to modernize plants and find other sources of electricity so they would be competitive when the two-year agreement ended.
12. BPA as an agent of the U.S. government has a social obligation to the citizens they serve.	BPA believes it is fulfilling its social obligations. BPA's goal is to keep rates down as low as possible while maintaining its ability to make its Treasury payment. BPA's rates fund many programs that benefit the Pacific Northwest region. BPA's rates are not as low as the region is accustomed to having them nor as low as BPA would like them to be, but they are still well below market rates. It is because BPA recognizes its mandate to provide benefits to the region that it is working to preserve its legislatively mandated cost-based rate structure.
13. Reliance on CRACs hurts BPA's long-term viability. It signals a refusal to cut costs.	The CRACs and cost reductions are two separate issues. The rate case parties and BPA jointly developed the CRACs as a way to have the lowest possible base rates while retaining flexibility to adjust to changing circumstances. BPA's long-term viability actually rests on its ability to use the CRACs to respond to such circumstances as changing markets and water supplies. The CRACs allow rates to go up and to go down as needed to respond to market changes. Cost reductions can have an impact on the CRAC rates but are a separate issue. BPA has reduced its projected expenses nearly $400 million for the rate period and is committed to keeping costs associated with the PBL at FY 2001 actuals. In fact, BPA reduced expenses by $40 million between the time of the final rate proposal in June and the present. Use of the CRACs in no way signals a refusal to cut costs.
14. BPA's F&W groups reduced its budget for needed projects by $4.8 in FY 2003 and used the money to lower the SN CRAC.	The $4.8 million referred to was allocated to high-priority projects in FY 2003 but not spent because the projects, for reasons outside of BPA's control, did not qualify for funding. The $4.8 million was not retained as an effort to reduce the SN CRAC.