

May 2003

Bonneville Power Administration

Power Business Line

Generation Accumulated Net Revenues for Financial-Based Cost Recovery Adjustment Clause (FB CRAC)

FY 2003 Second Quarter Review Forecast

\$ in Millions

		FY 2003 2nd Quarter Review Forecast
1	FY 2000 PBL Actual Net Revenue	\$252
2	<i>Energy Northwest Debt Service Adjustment for FY 2000</i>	(\$82)
3	<i>SFAS 133 Adjustment</i>	\$0
4	FY 2000 FB CRAC Actual Net Revenue	\$170
5	FY 2001 PBL Actual Net Revenue	(\$212)
6	<i>Energy Northwest Debt Service Adjustment for FY 2001</i>	(\$158)
7	<i>SFAS 133 Adjustment</i>	(\$48)
8	FY 2001 FB CRAC Actual Net Revenue	(\$418)
9	FY 2002 PBL Actual Net Revenue	(\$87)
10	<i>Energy Northwest Debt Service Adjustment for FY 2002</i>	(\$265)
11	<i>SFAS 133 Adjustment</i>	(\$38)
12	FY 2002 FB CRAC Actual Net Revenue	(\$390)
13	FY 2003 PBL Forecasted Net Revenue	\$69
14	<i>Energy Northwest Debt Service Adjustment for FY 2003</i>	(\$136)
15	<i>SFAS 133 Adjustment</i>	(\$21)
16	FY 2003 FB CRAC Actual Net Revenue	(\$88)
17	PBL Forecasted Accumulated Net Revenue (ANR)	(\$726)
18	FB CRAC FY 2003 ANR Trigger Point	(\$265)

FY 2002 August ANR Trigger Point was (\$408 M)

FY 2004 August ANR Trigger Point is (\$299 M)

1. How does the FB CRAC trigger; what is the trigger point (threshold); and what is the Maximum Planned Recovery Amount in FY 2003?

By August of the fiscal year immediately prior to each fiscal year of the rate period (i.e., FY 2002-2006), a forecast of that end-of-year Accumulated Net Revenue (ANR) will be completed. If the ANR at the end of the forecast year falls below the FB CRAC Threshold applicable to that fiscal year, the FB CRAC will trigger, and an FB CRAC rate increase will go into effect beginning in October of the upcoming fiscal year. The trigger point for the end of fiscal year FY 2003 is (\$265 M), and the Maximum Planned Recovery Amount (the highest amount of revenues that BPA can plan to collect in FY 2004 from this FB CRAC) is \$150 M. The 2nd Quarter Review Forecast indicates that the FB CRAC would trigger to the maximum allowable level if this forecast remains unchanged by August.

2. What are the uncertainties still inherent in the end-of-year forecast?

In the second quarter review forecast for the end-of-year net revenues, PBL must make assumptions of what the load, hydro conditions, market prices, and actual expense levels will be for the spring and summer. There is still a lot of uncertainty in these forecasts between now and the end of August, when the determination will be made on whether the FB CRAC has triggered. Any variation of these can change the net revenue situation.

3. What is the impact of refinancing Energy Northwest (ENW) debt and Financial Accounting Standards (SFAS) 133?

There are two adjustments made to PBL's net revenue to arrive at the "FB CRAC Net Revenue". These adjustments are to hold ENW debt service to the levels forecasted in the May 2000 Power Rate Proposal, and to remove any "mark-to-market" adjustments called for by Financial Accounting Standard (SFAS) #133. When ENW debt is refinanced, the proceeds are used to pay off federal debt early, thus having no net impact on cash. Because of the way federal and non-federal debt are displayed on the Income Statement, the FB CRAC equation keeps the debt level neutral by keeping the same ENW debt service amount in the calculation that was in the rate case. This way, any time BPA refinances the ENW debt, it will not be reflected in the FB CRAC calculation. The SFAS 133 adjustment reflects a requirement to record certain forward contracts at fair value (also referred to as mark-to-market) for accounting purposes based on the market value of the contracts as of a particular day – typically the end of the month or quarter. This mark-to-market adjustment has significant volatility, and can result in values that do not necessarily reflect the settlement or delivery value of the contract.

4. How will customers be kept informed of BPA's Accumulated Net Revenues during the year?

- Each quarter, BPA will post on its Web site preliminary, unaudited, year-to-date aggregate financial results for generation, including ANR.
- By January of each year, BPA will post on its Web site the audited AANR attributable to the generation function for the prior fiscal year ending September 30.
- In May and August of each year, at the same time that BPA posts its quarterly results, BPA will post on its Web site an end-of-year forecast of ANR attributable to the generation function.
- BPA will notify the customers by the end of August if the FB CRAC will trigger for the subsequent year.