

March 2004

Bonneville Power Administration Power Business Line

FY 2003 Generation (PBL) Audited Accumulated Net Revenues for Financial-Based Cost
Recovery Adjustment Clause (FB CRAC)
FY 2003 Audited Actuals
\$ In Millions

The threshold for triggering an FY 2005 FB CRAC is a forecast of negative \$264 million for ending FY 2004 accumulated net revenues (ANR). Audited actual FY 2003 ANR for generation (as defined for FB CRAC purposes) were negative \$598 million. This is within \$150 million of the end-of-year threshold. The 2002 GRSPs require that if actual ANR by the end of a fiscal year is within \$150 million of the FB CRAC threshold for the subsequent year, BPA will prepare an analysis for the causes of BPA's financial decline and propose actions to avert or mitigate the need for FB CRAC. That analysis follows.

	FY 2003 3rd Quarter Review Forecast	FY 2003 Actual Results
1 FY 2000 PBL Actual Modified Net Revenue	\$252	\$252
2 <i>Energy Northwest Debt Service Adjustment for FY 2000</i>	(\$82)	(\$82)
3 <i>SFAS 133 Adjustment</i>	\$0	\$0
4 FY 2000 FB CRAC Actual Modified Net Revenue*	\$170	\$170
5 FY 2001 PBL Actual Modified Net Revenue	(\$212)	(\$212)
6 <i>Energy Northwest Debt Service Adjustment for FY 2001</i>	(\$158)	(\$158)
7 <i>SFAS 133 Adjustment</i>	(\$48)	(\$48)
8 FY 2001 FB CRAC Actual Modified Net Revenue*	(\$418)	(\$418)
9 FY 2002 PBL Actual Modified Net Revenue	(\$87)	(\$87)
10 <i>Energy Northwest Debt Service Adjustment for FY 2002</i>	(\$265)	(\$265)
11 <i>SFAS 133 Adjustment</i>	(\$38)	(\$38)
12 FY 2002 FB CRAC Actual Modified Net Revenue*	(\$390)	(\$390)
13 FY 2003 PBL Forecasted Modified Net Revenue	\$247	\$243
14 <i>Energy Northwest Debt Service Adjustment for FY 2003</i>	(\$157)	(\$148)
15 <i>SFAS 133 Adjustment</i>	(\$46)	(\$1)
16 <i>Benefits to the Investor-Owned Utilities Adjustment</i>	\$0	\$0
17 FY 2003 FB/SN CRAC Forecasted Modified Net Revenue*	\$44	\$40
18 PBL Forecasted End of Year Accumulated Net Revenue for FY 2000-2003 (ANR)	(\$594)	(\$598)

As defined in the GRSPs, FY 2004 ANR trigger point (threshold) for the CRACs is (\$264). The maximum amount FB CRAC can set to collect (cap) in FY 2004 is \$150 M; the cap for the SN CRAC in FY 2005 is \$290 million

*The term Modified Net Revenue was developed to distinguish between the official Income Statement Net Revenue and the FB CRAC single year adjustment referred to as Adjusted Net Revenue in the GRSPs.

Following the implementation of the SN CRAC in October 2003, BPA took up settlement discussions with northwest public and Investor-owned Utilities (IOU) customers to reduce the

overall costs in the current rate period. The resulting settlement would have reduced BPA's expenses levels for the remainder the rate period and thereby reducing rates to customers. Public power failed to reach consensus and were unable to approve the settlement agreement by the required date of January 21, 2004. As part of the settlement negotiations, BPA agreed to aggressively pursue \$100 million in net revenue improvement in FY 2004 and 2005 to mitigate the FB and SN CRAC rate impact on the region. Even though the settlement failed, BPA remains committed to the \$100 million improvement in the net revenue goal. For more information on the Power Net Revenue Improvement Sounding Board, go to <http://www.bpa.gov/power/pl/pnrisc/>.

In response to customer's requests, BPA has created the monthly customer collaborative group. The goal of the monthly meetings is to provide greater transparency and more complete and timely information regarding BPA's costs and policy choices. Information regarding the customer collaborative can be found at, http://www.bpa.gov/corporate/About_BPA/Finance/C_Coll/.

Given the current outlook, it does not appear likely the financial situation will improve sufficiently to avoid triggering the FB and SN CRAC in August of FY2004.