

August 18, 2003

Bonneville Power Administration Power Business Line

Generation Accumulated Net Revenue Forecast for Financial-Based Cost Recovery Adjustment
Clause (FB CRAC) and Safety-Net Cost Recovery Adjustment Clause (SN CRAC)
FY 2003 Third Quarter Review Forecast
\$ in Millions

		FY 2003 2nd Quarter Review Forecast	FY 2003 3rd Quarter Review Forecast
1	FY 2000 PBL Actual 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 Net Revenue	\$170	\$170
5	FY 2001 PBL Actual 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 Net Revenue	(\$418)	(\$418)
9	FY 2002 PBL Actual 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 Net Revenue	(\$390)	(\$390)
13	FY 2003 PBL Forecasted Net Revenue	\$69	\$247
14	<i>Energy Northwest Debt Service Adjustment for FY 2003</i>	(\$136)	(\$157)
15	<i>SFAS 133 Adjustment</i>	(\$21)	(\$46)
16	<i>Benefits to the Investor-Owned Utilities Adjustment</i>	\$0	\$0
17	FY 2003 FB/SN CRAC Forecasted End of Year Net Revenue	(\$88)	\$44
18	PBL Forecasted End of Year Accumulated Net Revenue (ANR)	(\$726)	(\$594)

As provided for in the 2003 SN CRAC Final Proposal, Appendix A, General Rate Schedule Provisions (GRSPs), Bonneville is issuing this announcement to notify customers and rate case parties that our preliminary calculations indicate the generation function Accumulated Net Revenue (ANR) at the end of FY 2003 is forecasted to fall below the FB and SN CRAC thresholds for FY 2003. This is BPA's forecast of the FB and SN CRAC levels, based on the August 2003 Third Quarter Review of the PBL's accumulated net revenue and the formulas contained in the GRSPs. The rate resulting from the forecast is subject to revision based on the comment period that begins on August 14 and concludes on August 22, 2003.

BPA will hold at least two workshops, on August 14 and August 28, to present information and take comments from customers and other interested parties. The first workshop will explain the steps used to calculate the FB and SN CRACs. The second workshop will be on Aug. 28 and will present the final FB and SN CRACs, assuming no public/IOU settlement. (If a settlement occurs after this announcement but prior to Sept. 15, rates could be revised.) Rates will go into effect on October 1, 2003 for FY 2004.

1. What is the impact of refinancing ENW debt and SFAS 133?

When the FB and SN CRAC designs were developed, they took into account the impacts on net revenues and cash of refinancing Energy Northwest Debt and Statement of Financial Standards (FAS) 133. When ENW debt is refinanced, the savings are used to pay off an equal amount of higher-interest Federal debt early. Thus, there is no increase in available cash. Because of the different ways Federal and ENW debt are reflected in the Income Statement, in order to hold the FB and SN CRAC calculations neutral to the refinancings, the calculations keep the ENW debt service amounts that were in the 2002 Power Rate Proposal. Therefore any refinancings of ENW debt are not reflected in the FB or SN CRAC calculations.

FAS 133 has also been excluded from the FB and SN CRAC calculations, as it is not associated with rates. Instead it is a reporting requirement of the FASB (Financial Accounting Standards Board).

2. What is the SN CRAC?

The SN CRAC design is similar to the existing FB CRAC, but does not replace the existing FB CRAC. As in the existing FB CRAC, in August of FY 2003, 2004, and 2005, a forecast of end-of-year ANR will be prepared, based on Third Quarter Review data. Unlike the FB CRAC, the SN CRAC applies to the 1000 aMW power sale portion of the Residential Exchange Program Settlement, including where power sales are converted to cash payments.

3. What are the SN and FB CRAC thresholds for FY 2004?

The FB and SN CRAC thresholds for FY 2004 will be set using the “contingent” calculation, as described in the 2003 GRSPs. The contingent calculation takes into account:

- Reductions in forecasted budgets for FY 2004-2006 in Internal Operations; Columbia Generating Station, Corps and Reclamation O&M; and Fish & Wildlife costs, if any;
- Actual and forecasted changes in PBL Net Revenues for FY 2003 due to changes in hydro conditions or market prices; and
- IOU/Public Settlement, if any.

4. How does the SN CRAC impact the FB CRAC calculation?

In the SN CRAC rate case (June 2003), the thresholds and caps for the FB CRAC were recalculated and are the same for both FB and SN CRAC. For both the FB CRAC and SN CRAC, ANR is defined to be the PBL net revenues accumulated from the end of 1999, with three modifications: (1) May 2000 Rate Proposal forecasts of ENW debt service are used in place of actual ENW debt service levels, (2) net revenue adjustments required by FAS 133 are excluded, and (3) actual and forecasted BPA expenses associated with payments of benefits to the Investor-Owned Utilities is included as forecasted in the SN-03 final proposal. These caps and thresholds are being recalculated in August 2003 to reflect the contingent items listed above.

5. How will customers be kept informed of PBL’s ANR and other rates issues 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 ANR attributable to the Power Business Line 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 PBL.
- PBL conducts rates workshops every six months to discuss and set each LB CRAC. The next workshops will be scheduled in late November or December.