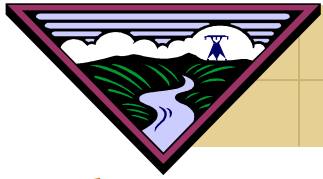


## *Structure Post FY06*

## *- BPA Power Costs -*

March 12, 2003



## *Objectives*

- Define cost structure of power rates
- Inform on historical and current cost structure of power rates
- Set up foundation for future discussions on policy choices that will impact future cost structure of power rates



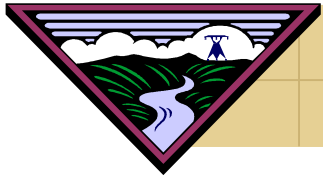
## *What is Cost Structure?*

- The combination and amount of expenses as a result of day-to-day operations (variable costs) and long-term commitments (fixed costs) necessary to provide benefits to the region.
- Influenced by:
  - Product and service offerings, both current and future projections.
  - Industry environment –regulatory, legal obligations, DOE/OMB
  - Policy choices – public benefits, role of agency, financial strategy
- BPA's revenue requirement, used in setting base power rates, is derived from its cost structure.

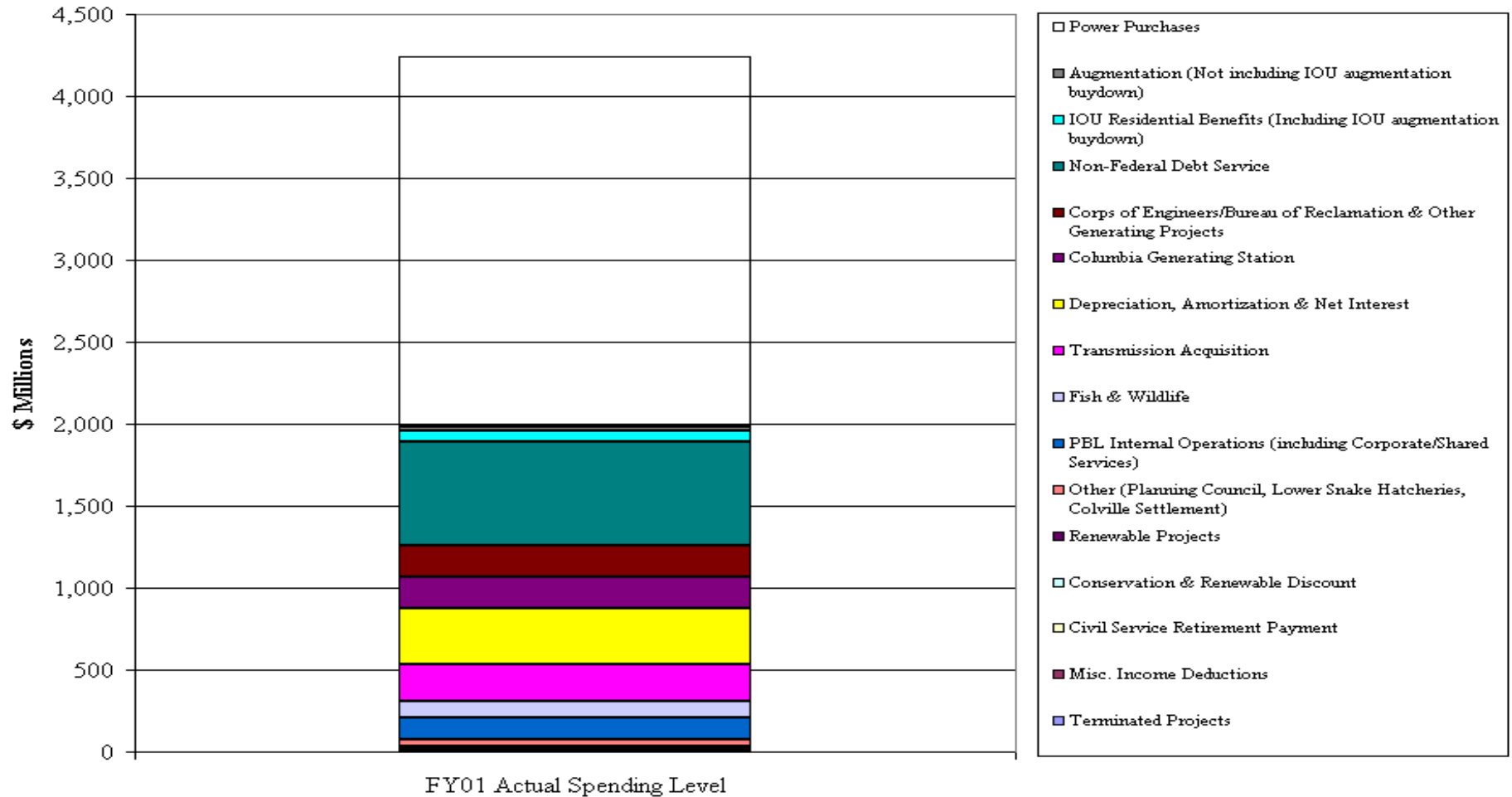


## *Influences on Cost Structure - Historical*

- BPA in FY99-01: ~\$22/Mwh ave. PF shaped rate; \$20/Mwh ave. Flat block rate
  
- Rates set assuming:
  - Load and FBS resources closely balanced
  - Relatively small secondary revenue credits
  - No Slice product
  - Traditional Residential Exchange Program (~\$70M/year)
  
- Public load diversifying away from BPA service in 1996, when rates were set for 1997-2001 period



## Cost Structure - Historical

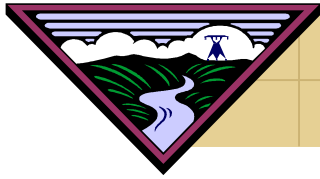


Does not include offsetting revenues.

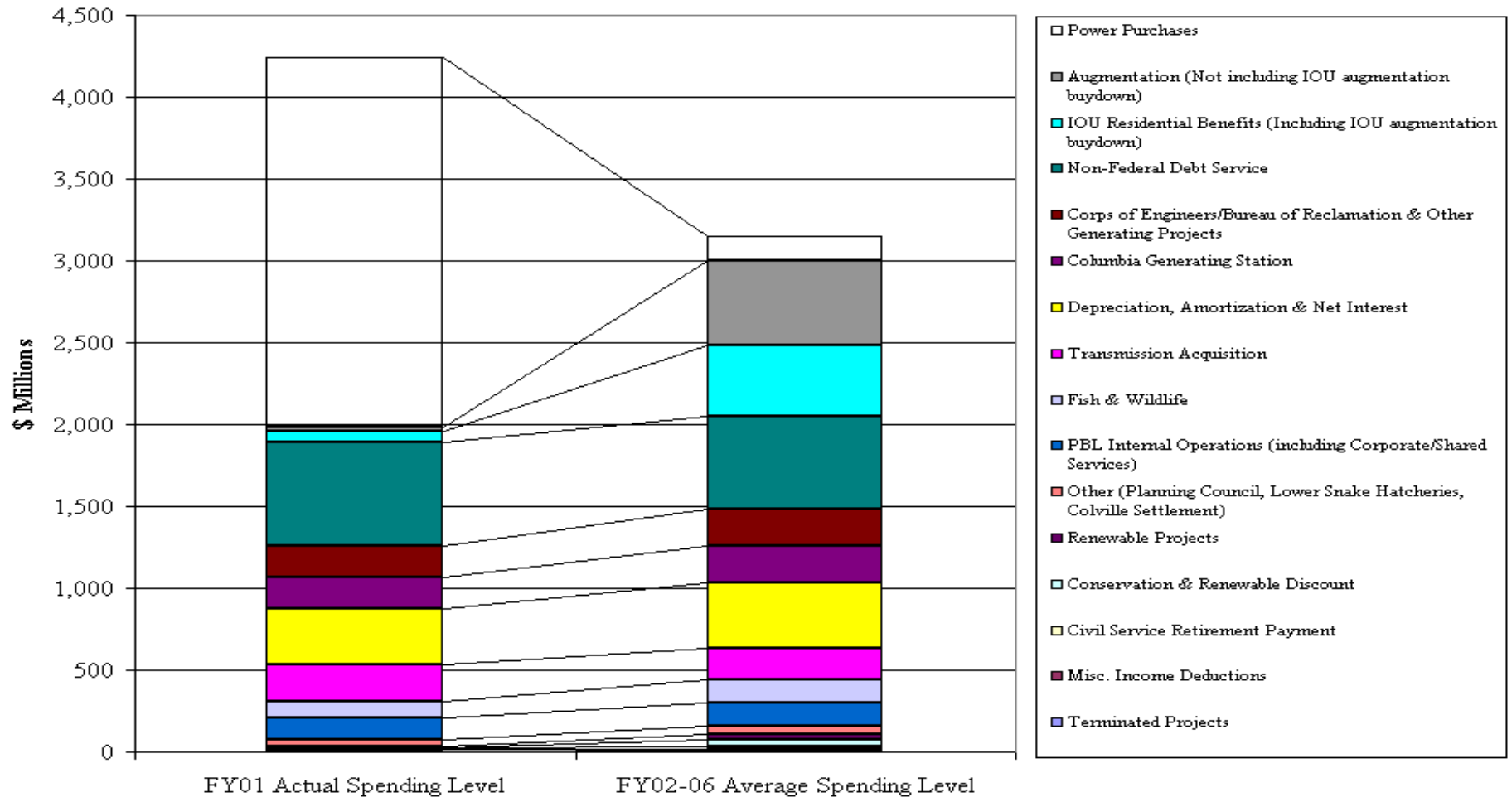


## *Influences on Cost Structure – FY02-06*

- BPA current rates: \$32.1/Mwh ave. PF rate; \$28.4/Mwh ave. Flat block rate
  
- FY02-06 rates set assuming:
  - Loads greater than FBS resources
  - Larger secondary revenue credits
  - New Slice product
  - Settlement of Residential Exchange program for 900 aMW of monetary benefit and 1000 aMW of power benefits (which was mostly bought down in FY01)



## Cost Structure – FY02-06 (February forecast)



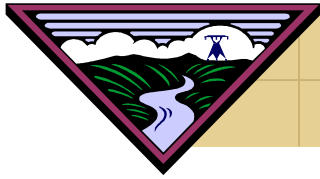
Does not include offsetting revenues.



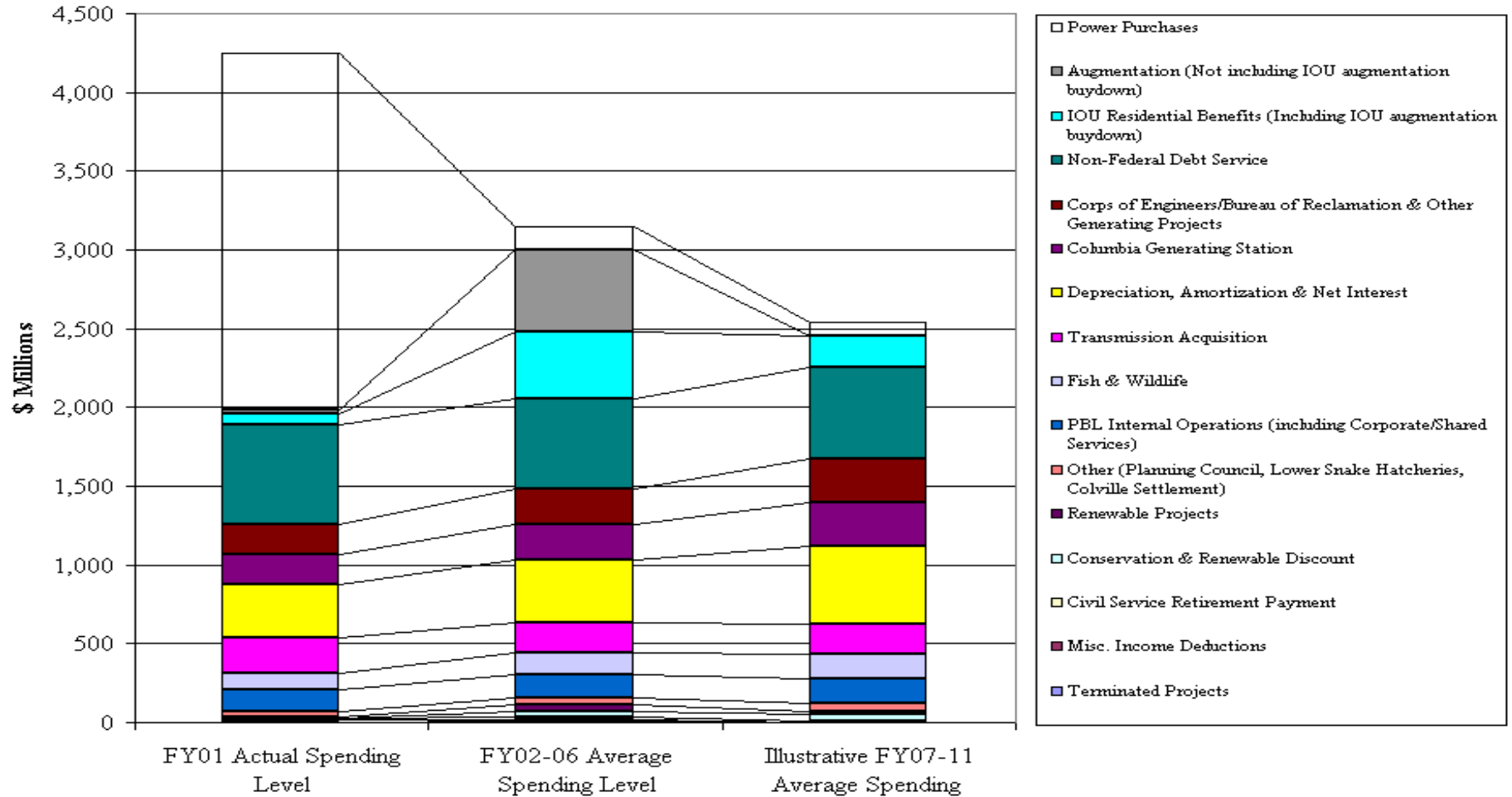
## *Influences on Cost Structure – Post FY06*

- Base costs – what set of costs comprise the bare minimum required to deliver power in the NW?
  - Power Generation: Corps of Engineers/Bureau of Reclamation; Columbia Generating Station
  - Fish & Wildlife
  - Internal Operations
  - Depreciation, Amortization & Net Interest
  - Non-federal debt service
- Additional costs -
  - IOU Residential Benefits
  - DSI Service
  - Deferred Expenses
  - Renewables
  - Conservation
  - GTA
  - Planned Net Revenues for Risk (PNRR)
- Levels of base and additional costs dependent on what BPA's role is!





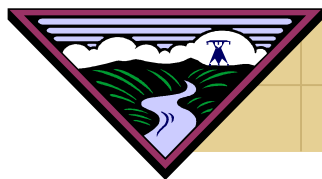
## Cost Structure – Post FY06 (illustrative forecast)



### Assumptions for FY07-11 Forecast:

1. No Augmentation
2. No buydowns

Does not include offsetting revenues except for Renewables in FY07-11.



## Appendix 1

\$ Millions

	FY01 Actual Spending Level	FY02-06 Average Spending Level	Illustrative FY07- 11 Average Spending
Terminated Projects	3	7	3
Misc. Income Deductions	17	12	-
Civil Service Retirement Payment	4	17	9
Conservation & Renewable Discount	0	37	37
* Renewable Projects	8	39	19
Other (Planning Council, Lower Snake Hatcheries, Colville Settlement)	40	45	53
PBL Internal Operations (including Corporate/Shared Services)	136	146	153
* Fish & Wildlife	103	143	157
Transmission Acquisition	227	189	193
Depreciation, Amortization & Net Interest	335	400	498
Columbia Generating Station	196	221	274
* Corps of Engineers/Bureau of Reclamation & Other Generating Projects	188	231	276
Non-Federal Debt Service	635	565	586
IOU Residential Benefits (Including IOU augmentation buydown)	68	429	193
Augmentation (Not including IOU augmentation buydown)	26	524	-
Power Purchases	2,259	143	93
<b>TOTAL</b>	<b>4,244</b>	<b>3,146</b>	<b>2,544</b>
<b>Total w/o Power Purchases</b>	<b>1,985</b>	<b>3,003</b>	<b>2,451</b>

*Renewables FY07-11 average includes offsetting revenues.*

*CGS is FY00/01; FY03-06 and FY07-10 averages to reflect equal number of outage/non-outage years.*

\*These projects add MWs and/or prevent loss of generation.