

Alternative Cost Structures
Annual Average FY07-11 (in Millions)

Expense Impacts	Possible Approach or Decisions	Total Lower Spending Level or Higher Revenue		Illustrative Spending Level or Revenue		Total Higher Spending Level or Lower Revenue		Possible Approach or Decisions	Assumption, Strategy or Business Premise Used in Base Case	
		Incremental Impact on Rates (\$/MWh) LOWERS RATES	New Level: <u>Lowers Rates</u>	Incremental Lower Spending Level	Base Level	Incremental Higher Spending Level	New Level: <u>Increases Rates</u>			Incremental Impact on Rates (\$/MWh) INCREASES RATES
CGS O&M Costs	Consistent with benchmarking results (Lewis Study)	\$ (0.5)	\$ 244	\$ (30)	\$ 274	\$ 30	\$ 304.0	\$ 0.5	Take less risk, availability & reliability focus, security cost increases, other problems	FY07-11: 9.6 percent inflation
Corps of Engineers & Bureau of Reclamation	Just-in-time maintenance, take more risk with availability & reliability, lower escalation rate for staff costs, escalation rate = X%	\$ (0.3)	\$ 256	\$ (20)	\$ 276	\$ 20	\$ 296	\$ 0.3	Increase systematic scheduled maintenance, increase assurance of availability & reliability	3 percent inflation
Fish & Wildlife Costs (Direct)	Keep funding at FY02-06 average levels, shift to joint funding with customers or national funding of costs	\$ (0.3)	\$ 139	\$ (18)	\$ 157	\$ 50	\$ 207	\$ 0.8	Increased national and regional support for fish mitigation funding	3 percent inflation after 2006
Fish & Wildlife Costs (Hydro-Operations)	Improvements in balance between performance measures, scientific results and operations	\$ (1.3)	\$ 80	\$ 80	\$ -	\$ (80)	\$ (80)	\$ 1.3	Increased constraints on operations	No additional changes to hydro operations
Internal O&M	Simplified rates, contracts, secondary marketing, major Slice product, reduced responsibility to respond to stakeholder needs, BPA lays off risk to others, set level of internal costs to FY01 actuals (with no inflation)	\$ (0.3)	\$ 136	\$ (17)	\$ 153	\$ 20	\$ 173	\$ 0.3	Two-year rate cases, varied contracts, more advanced secondary marketing function, BPA retains risk, increased requirements to stakeholders, CRAC mechanisms to manage costs or financial conditions	PBL internal operations & Corporate & Shared Services: No PBL efficiencies projects, 2% inflation for staff costs, same level of stakeholder service & support, same level of conservation support as FY03-06
Depreciation, Amortization & Net Interest Expense		\$ -	\$ 498		\$ 498		\$ 498	\$ -		
Non-Federal Debt Service		\$ -	\$ 586		\$ 586		\$ 586	\$ -		
Level of IOU Residential Benefits	Benefits based on market (low market materializes), lower fixed benefits, similar level as FY97-01	\$ (2.0)	\$ 70	\$ (123)	\$ 193	\$ 87	\$ 280	\$ 1.4	Benefits based on JCP 3300 aMW at CCT less net Slice	2200 aMW to IOUs with the difference between RL and Market = -\$10/MWh
DSI Service	No DSI service, DSIs don't run due to sustained low aluminum prices or highpower prices	\$ (0.9)		\$ (57)	\$ 57	\$ 118	\$ 175	\$ 1.9	1000 aMW of DSI service, DSIs run due to sustained re-bound of aluminum prices, low BPA prices, assumes \$20/MWh differential between IP & Market	650 aMW of DSI service, DSIs run due to sustained re-bound of aluminum prices, low BPA prices, assumes -\$10/MWh differential between IP & Market
Service to Public Load Growth	BPA serves no load beyond FBS, requires no augmentation management	\$ -	\$ -	\$ -	\$ -	\$ 44	\$ 44	\$ 0.7	500 aMW @ \$10/MWh above PF rate BPA serves load beyond FBS, requires active management of load forecasts & market intelligence, requires active augmentation management	BPA serves no load beyond FBS, requires no augmentation management, current Full Requirements contracts have X aMW of load growth assumed - 1.5% on 2000 aMW (30 aMW/year)
Renewables Investment (including offsetting revenues)	Reduced emphasis on renewable resource development, costs directly paid by other parties, 50% less aMW, no more investment beyond geothermal project	\$ (0.2)	\$ 10	\$ (10)	\$ 19	\$ 10	\$ 29	\$ 0.2	Increased emphasis on renewable resource development, 50% more aMW	Roughly 165 aMW over FY07-11
Conservation Investment	Regional parties take on responsibility for conservation investment, cut program 50% from FY03-06 levels [add capital program, ConAug]	\$ (0.3)	\$ 17	\$ (17)	\$ 34	\$ 17	\$ 52	\$ 0.3	BPA increases conservation programs by 50% due to ... [add capital program, ConAug]	Energy Efficiency Development, Market Transformation, Energy Web, Legacy & L.I.W. programs, Sponsored Energy Initiatives, Conservation Staff Support, roughly same level as FY03-06 [add capital program, ConAug]
GTA Service	GTA service moves to Transmission rates	\$ (0.8)	\$ -	\$ (50)	\$ 50	\$ -	\$ 50	\$ -	GTA service stays with Power rates	Same level as FY03-06, cists stay in power rates
Deferred Expenses	FY02-06 rate period covers all expenses, no major costs delayed to post-2006 period	\$ -	\$ -	\$ -	\$ -	\$ 44	\$ 44	\$ 0.7	Need to lower rates over FY02-06 rate period, \$220M in IOU benefits delayed to post-2006 period (annual \$220/5)	FY02-06 rate period covers all expenses, no major costs delayed to post-2006 period
On & Off Ramps for Load Services	BPA requires take or pay contracts and allows no on or off ramps, no credit risk	\$ -	\$ -	\$ -	\$ -	\$ 50	\$ 50	\$ 0.8	BPA allows flexible on or off ramps during rate period or between rate periods, or significant credit risk exists for take or pay contracts	None built in
Capital Spending Impacts	Possible Approach or Decisions	Incremental Impact on Rates (\$/MWh) LOWERS	New Level: <u>Lowers Rates</u>	Incremental Lower Spending Level	Base Level	Incremental Higher Spending Level	New Level: <u>Increases Rates</u>	Incremental Impact on Rates (\$/MWh) INCREASES	Possible Approach or Decisions	Assumption, Strategy or Business Premise Used in Base Case
FCRPS Investment (Capital)	Tie asset availability and reliability to level of service, let the system degrade naturally, CRAC-like mechanism to recover investments in infrastructure, 10% less investment	\$ (0.4)	\$ 248	\$ (28)	\$ 276	\$ 28	\$ 304	\$ 0.4	Increase hydro assets beyond current availability and reliability assumptions, 10% higher investment	Corps, Reclamation & Other Generating Projects
Internal IT Investment		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Revenue Impacts		Incremental Impact on Rates (\$/MWh) LOWERS	New Level: <u>Lowers Rates</u>	Higher Revenue	Base Level	Lower Revenue	New Level: <u>Increases Rates</u>	Incremental Impact on Rates (\$/MWh) INCREASES		Assumption, Strategy or Business Premise Used in Base Case
Planned Net Revenue for Risk	Increased number of risk mitigation tools, e.g., flexible rate design, shorter rate period, major Slice contracts, others take risk	\$ -	\$ 100	\$ -	\$ 100	\$ 100	\$ 200	\$ 1.6	Fixed rate design, longer rate period, BPA risk taker for customers	Some level of PNRR included to reflect BPA's current role of managing hydro and price risk associated with secondary sales
Secondary Revenue	1800 aMW @ \$33.47/MWh. Use output of marginal cost model (Aurora) without adjustment, high market &/or high water, high reliance on secondary sales	\$ (2.6)	\$ 528	\$ 160	\$ 368	\$ (69)	\$ 299	\$ 1.1	1800 aMW @ 19.95/MWh Base expenses covered mostly by firm sales, do rebates if high secondary revenues materialize, avoid reliance on secondary sales to fund programs	1800 aMW @ \$23.34/MWh, Weighted average price for secondary sales is roughly the average level over FY04-06
Total		\$ (9.8)	X					\$ 12.4		

Rate Conversion	\$ per MWh	Millions
	\$ 1	\$ 62

Other rate impacts from revenue requirements, rate design, financial strategy and risk mitigation are not represented and will be introduced at a later time.