

Regional Dialogue - Technical Workshop

Internal Cost Management

April 30, 2003

Rates Hearing Room, 911 Building

10:00 - 12:00

Agenda

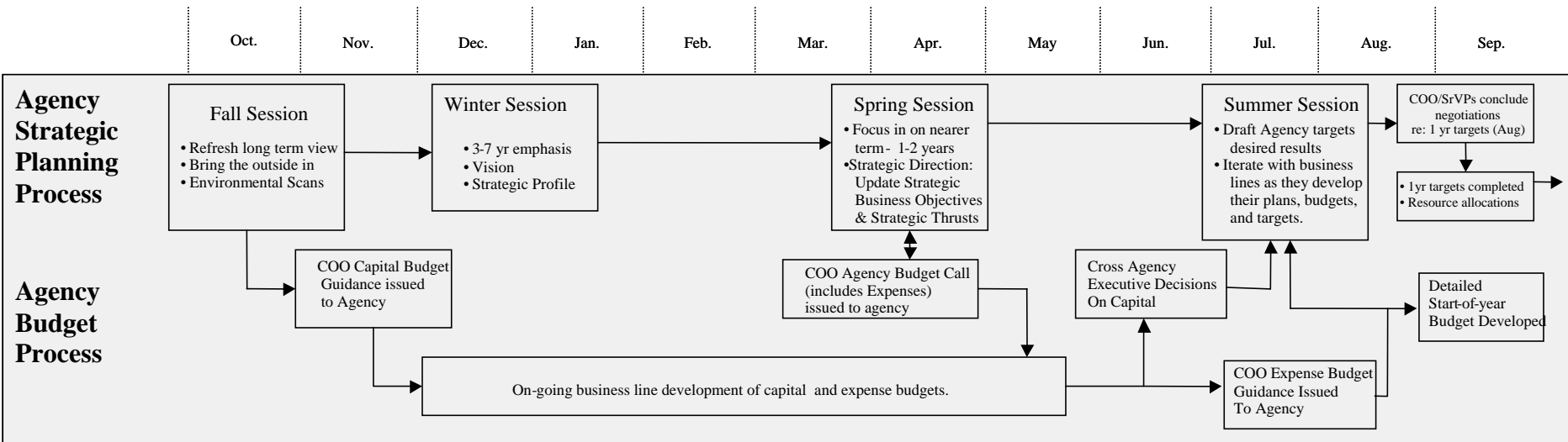
- Welcome and Purpose
- Agency Target Setting
- PBL Planning, Budgeting, and Target Setting
- Financial Performance Standards/Managerial Accountabilities

Objectives

- The purpose of this workshop is to provide information regarding:
 - how BPA sets its annual Agency and Business Line financial objectives
 - the relationship between the BPA annual budgeting process and the Federal budgeting process
 - how the Agency moves from rate case revenue requirement to budgets, and
 - how individual managers are held accountable for meeting their annual financial (and other) performance targets

Agency Target Setting

Overview of Planning Process and Budget Process



Agency Targets 2003



BPA's Mission

BPA exists to meet its public responsibilities through commercially successful businesses.

BPA's Vision

Enhance the value of the federal Columbia River power and transmission systems to the citizens of the Pacific Northwest, as they would define that value.

The number of agency targets this year has been reduced to six to provide a stronger sense of overall agency focus. These agency targets complement the targets of the various business units.

There are three new Strategic Thrusts and one change to the Strategic Business Objectives, as noted.



Strategic Thrusts
 [Key changes needed in the next few years]

- ST1. Strengthen BPA's financial health. *(New)*
- ST2. Enhance the benefits of the CORPS and retain them for the region.
- ST3. Deliver a Northwest Regional Transmission Organization (RTO) consistent with BPA's RTO principles.
- ST4. Implement the fish and wildlife plan.
- ST5. Establish a stable, integrated energy efficiency strategy. *(New)*
- ST6. Strategically staff and develop employees.
- ST7. Meet the "We do it better" challenge. *(New)*
- ST8. Build critical infrastructure.

Strategic Business Objectives
 [Core elements of long-term success]

- SBO1. Achieve high and continually improving customer satisfaction.
- SBO2. Increase the value of our business and share the expanded benefits.
- SBO3. Be a low-cost provider of power and transmission services in the region.
- SBO4. Achieve and maintain financial integrity.
- SBO5. Keep the system safe, reliable and available. *['available' is a new addition]*
- SBO6. Invest in results to enhance the region's natural environment.
- SBO7. Continue to grow as a diverse, employee-centered, high-performing, business-oriented organization.

Agency Targets for FY 2003
 [All are Success Share targets.]

Costs
 Secure additional cost reductions this year amounting to \$35 to \$70 million.

The Bottom Line
 Treasury payment is made on time and in full, with agency net revenues in the range of \$1 million to \$100 million.

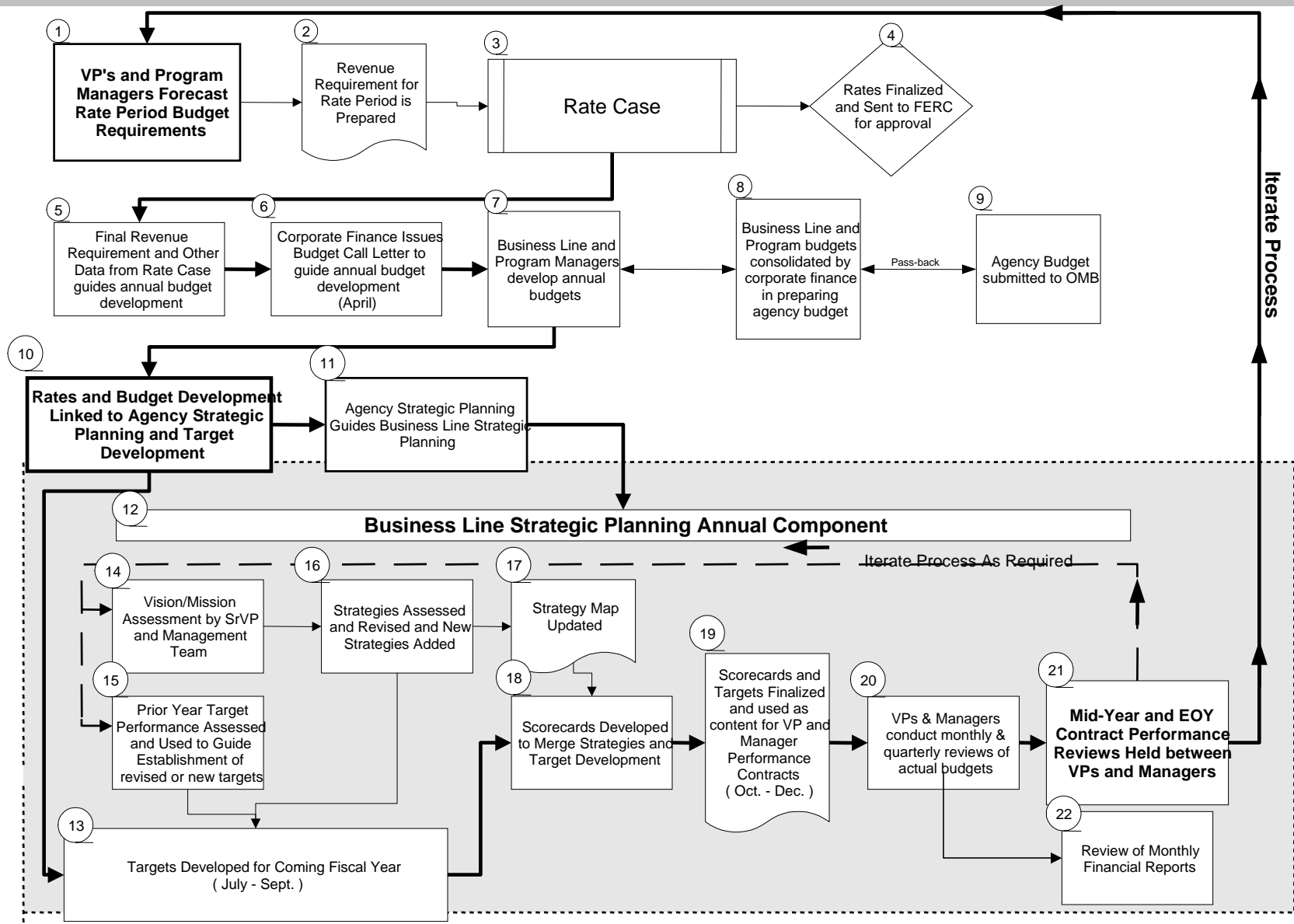
Reliability & Availability
 Transmission: Outage frequency and duration for key circuits are within Control Chart limits and no involuntary curtailment of firm load occurs as a result of transmission system security breach,
 and
 Generation: No involuntary curtailments of firm load occur as a result of inadequate power supply or as a result of a generation system security breach.

Infrastructure
 Hit the milestones for 7 to 9 of TBL's 9 targeted infrastructure projects, with total costs within budget.

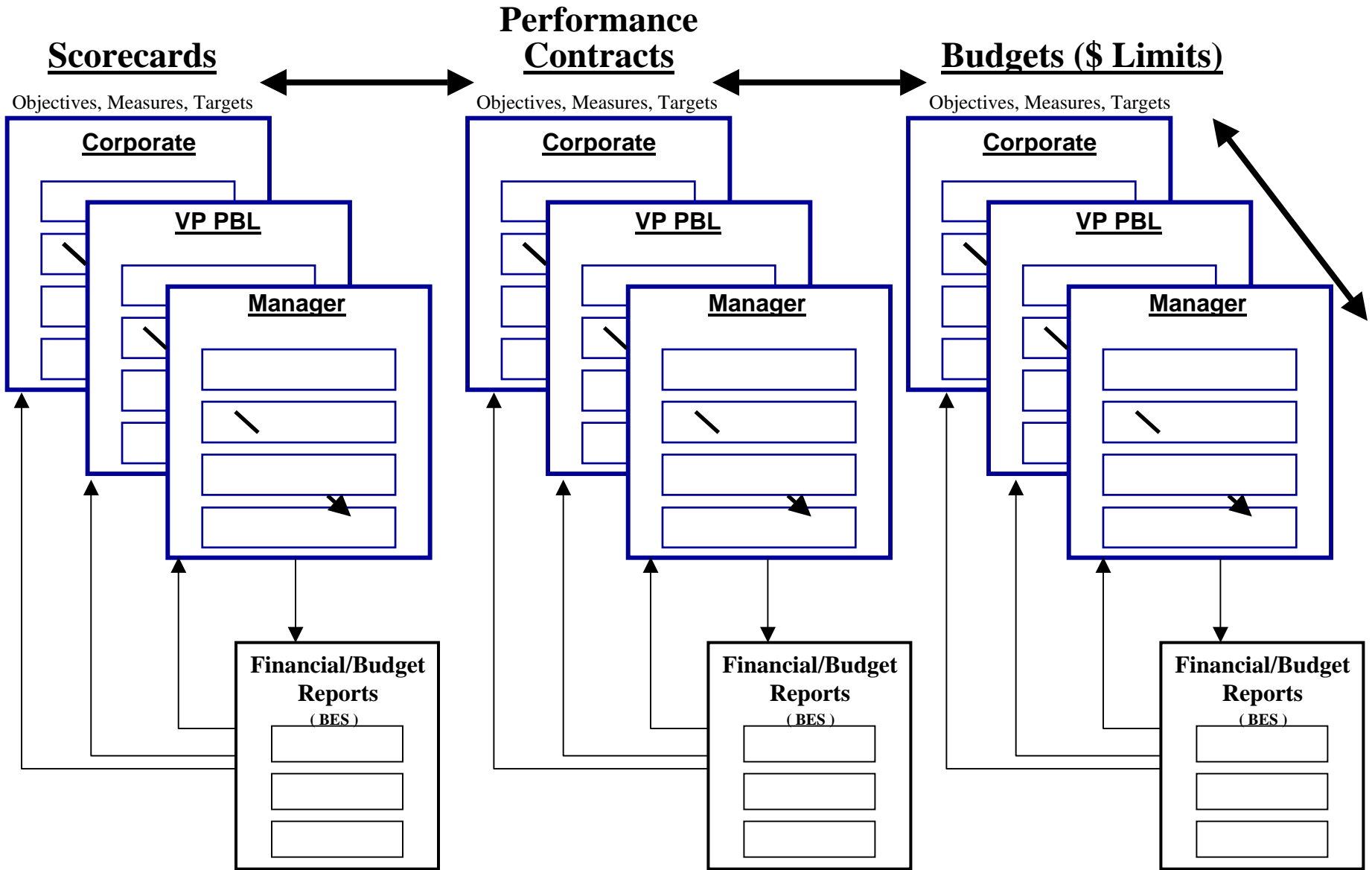
Fish
 Set up a successful 2003 National Marine Fisheries Service fish check-in by accomplishing 75 percent to 100 percent of the Biological Opinion actions for which BPA is accountable in FY 2003.

Safety
 Recordable, lost-time injuries are in the range from 1.5 to 1.1 per 200,000 hours worked (~100 employees) and no fatal injuries occur to BPA or contract employees working on BPA facilities.

PBL Planning, Budgeting, and Target Setting



Financial Target Setting and Reporting



Generation Supply - Example Scorecard/Contract

Some Definitions

➤ **Strategy Map**

Captures the Overall Strategic Direction of the organizational unit and how it supports the next higher level, in this case, the PBL Strategy Map.

➤ **Strategic Objectives**

A statement of the outcome or result that is sought.

➤ **Scorecard/Contract**

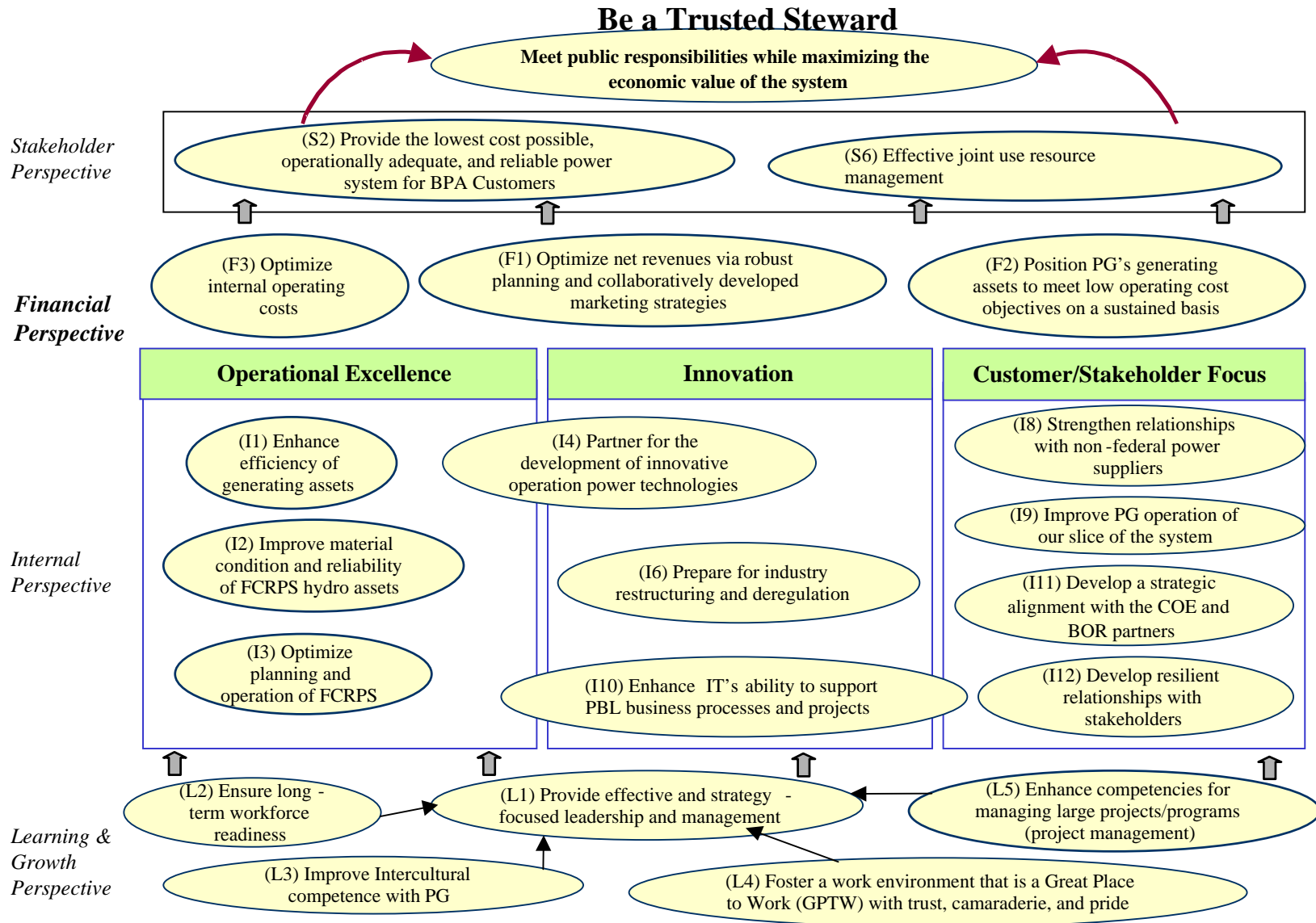
The annual tracking document used to capture monthly and End-of-Year results. Most but not all strategic objectives are listed on the scorecard. Some objectives will not have an identified gap that needs to be addressed in a particular year. The scorecard is meant to help communicate to the organization where to focus efforts and resources during the year to close identified gaps. Scorecards will include an annual target, a statement about how progress will be measured, who is responsible or lead and how the objective links to the next higher level scorecard, and in some cases shorter-term initiatives that will contribute to achieving the target.

Generation Supply - Example Scorecard/Contract





Some Definitions (~continued~)

- **Measure**
A description of the standard of measurement, metric, or measurement unit.
- **Target**
The specific level of the result that is sought.
- **Initiatives**
Activities or projects with definable steps that contribute to the accomplishment of objectives.

Generation Supply Strategy Map - FY 2003



Generation Supply - Example Scorecard/Contract

Financial								
	Strategic Objective	Measures	Lead & PBL Link	FY 2003 Targets	Initiatives	Comments	Status	
F1	Optimize net revenues via robust planning and collaboratively developed marketing strategies	a) Net Revenue at Risk	Pendergrass Cooper	a) PBL Risk Measure: No greater than 5% chance that PBL net revenue will be less than \$433 million, or if this limit is exceeded due to uncontrollable events, a management plan is developed and approved by the cognizant risk management committee within a week and then executed.		On Target.		3
		b) Net Operating Margin		b) Net Operating Margin is within a range of \$1.2 Billion to \$1.4 Billion.				3
				a) PG to work collaboratively with PT & F&W to develop post-2006 strategies that maximize the value of FCRPS resources using Dry Year Tools including alternative fishery operations; these strategies inform post-2006 rate case designs.	a) On Target. Initial meetings on post-06 fish funding have occurred. Proposal scheduled for summer 2003. PGP supporting regional dialogue on post-06 Slice product operations issues.0	NA	0	
				b) PG to work collaboratively with NMFS, FWS, COE, BOR, and TMT to develop strategies that maximize the value of FCRPS resources within the existing rate case construct; dry year tools including alternative fishery operations are used as appropriate.	b) On Target. Hydro alternatives being pursued are modified 04DOP for increased power and fish flow benefits and operational changes associated with Target 5bc. Also FCRPS operations strategy to lean on system during CGS was an additional success.		2	
				c) Implement an enhanced risk management function consistent with agency conclusions on D&T recommendations.	c) Need to spend more management time on this		2	



On Target



Caution, May Not Meet Target



Significantly Below Target








Target Met



Target Not Met

Generation Supply - Example Scorecard/Contract

Financial								
	Strategic Objective	Measures	Lead & PBL Link	FY 2003 Targets	Initiatives	Comments	Status	
F2	Position PG's generating assets to meet low operating cost objectives on a sustained basis	a) Columbia cost of power	Rapacz	a1) CGS cost of power for FY03 is at or under 27.3 mills. a2) Stretch: CGS cost of power for FY03 is at or under 26.6 mills.		As of 2/28/03 the latest revised cost estimate is for CGS to meet it's budget target of \$233.7 million. The chance to reach 8700 GWhr of generation has been lost as a result of the Plant shutdown due to Diesel Generator problems. Estimated cost of power for FY-03 is now about 28.3 mills (\$233.7M with 8267 GWhr) assuming no further problems during the remainder of this cycle. (Note: Stretch target is based on 8700 GWh a budget < \$231.8 M)		2
					Conduct benchmarking (conclude ~ March 2003) ENW and BPA agree on a Long Range Plan reflecting targets for FY04 through FY06 that place CGS in the top half of industry performance as measured by the benchmarking data.	As of 4/3/03, benchmarking activities are continuing EN will finish their efforts by the end of spring. EN have agreed to a meeting (Vic & Paul) to discuss the BPA study. EN not using benchmarking conclusions to guide FY-04 budget. No trips to other plants have yet been scheduled.		2
		b) Hydro Power Program O&M execution rate		b) Stretch = 94% (5pts.) Expected = 96% of base (3 pts.) Minimum = \$188 million base (0 pts.)		On Target. 89% of expected through February 2003.		4
F3	Optimize internal operating costs	Internal Operating Costs	Delwiche & Tier 3 Mgrs.	≥\$38.2 m = 0 points [1 point per \$500,000 underrun, up to 5 pts.]		On Target. PG Internally managed cost forecast (including cost cutting) is about \$36 million. Anticipating budget adjustment to Shared Services cost.		5
					Tier 3 budget owners provide budget status report monthly	Note: 3417 Report is being distributed monthly to all budget owners. <i>PBL Team Share</i>		2
Financial Points Subtotal:								25



On Target



Caution, May Not Meet Target



Significantly Below Target





Target Met



Target Not Met

Generation Supply - Example Scorecard/Contract

Internal								
	Strategic Objective	Measures	Lead & PBL Link	FY 2003 Targets	Initiatives	Comments	Status	
I3	Optimize planning and operation of FCRPS	Meet identified milestones for Columbia Vista and Load Forecasting	Pendergrass, Sanford, Meaney	a) Columbia Vista 1) ST CV input interfaces complete by 2/03. 2) Feature freeze of code for Acceptance Test by 3/03. 3) Complete Site Acceptance Test plan by 3/03. 4) Factory Test Complete by 4/03. 5) To-Be Process Design Complete by 4/03. 6) Stage 4 ST Testing Complete by 8/03. 7) Code Freeze & Implement T&I Environment by 10/03. 8) ST Training Complete by 1/04. 9) Final Cut Over by 2/04.		a) On Target. Note: Columbia Vista 1) Milestone was met 2) Completed. 3) Completed. 4) Expect completion by end of month. 5) Expect completion by end of month. 6) through (9); on schedule		3
				b) Load Forecasting 1) Go-Live in Pre-schedule by 2/7/03. 2) Go-Live in Real-time by 5/27/03.		c) On Target. 1) While PBL was ready by Feb 2002, we didn't go live in Prescheduled until April 1 (postponed due to Idaho Power). 2) On target with go-live in Real time.		2



On Target



Caution, May Not Meet Target



Significantly Below Target



Target Met



Target Not Met

Generation Supply - Tracking the Budget and Spending

Report ID: 3417PG	Bonneville Power Administration	Run Date: April 24, 2003
Departmental Report:	GENERATION SUPPLY	Run Time: 10:37
Includes All Bus. Units Except CONSL	PG - Monthly Roll-Up Summary	% of Year Lapsed = 49.6%
Data Source: Ledger - Actual, Budget	Through the Month Ended March 31, 2003	
Fiscal Year: 2003	\$ in thousands	

	SOY Limit (A)	Adjusted SOY Limit (B)	Month Actuals (C)	FY Actuals To Date (D)	FY Remaining (B) - (D)	Percentage YTD/ADJ SOY (D)/(B)	Percentage YTD/SOY (D)/(A)	
EXPENSES								
1 PERSONNEL COMPENSATION (includes PREMIUM)	\$16,713	\$16,396	\$1,464	\$8,216	\$8,180	50.1%	49.2%	
2 OVERTIME	\$217	\$217	\$6	\$116	\$101	53.3%	53.3%	
3 AWARDS	\$601	\$15	\$1	(\$5)	\$20	-34.7%	-0.9%	
4 RETENTION	\$299	\$138	\$16	\$95	\$43	68.7%	31.8%	
5 MATERIALS & SUPPLIES	\$2,578	\$2,078	(\$6)	\$340	\$1,738	16.4%	13.2%	
6 TRANSPORTATION (THINGS)	\$	\$	\$	\$17	(\$17)			
7 TRAVEL	\$301	\$150	\$11	\$66	\$84	44.2%	22.0%	
8 SERVICE CONTRACTS (less SLICE & LT GEN PROJECTS)	\$6,699	\$4,484	\$769	\$3,343	\$1,140	74.6%	49.9%	
9 LABOR CONTRACTS	\$4,161	\$4,161	\$263	\$1,338	\$2,823	32.1%	32.1%	
10 AGREEMENTS & GRANTS (less COE, BOR, COLVILLE STLMN)	\$1,500	\$1,500	\$7	\$121	\$1,379	8.1%	8.1%	
11 TRAINING	\$140	\$81	\$1	\$23	\$59	27.7%	16.1%	
12 RENTS/UTILITIES	\$392	\$392	\$11	\$127	\$265	32.3%	32.3%	
13 OTHER (excludes CSRS PAYMENT)	\$	\$	(\$1)	\$6	(\$6)			
14 SHARED SERVICES	\$4,143	\$5,335	\$555	\$2,772	\$2,562	52.0%	66.9%	
15 BETWEEN BUSINESS LINES	\$418	\$468	\$3	\$73	\$395	15.5%	17.4%	
16 EXCEPTIONS	\$	\$	\$	\$1	(\$1)			
17	Expense Sub-Totals	\$38,160	\$35,413	\$3,100	\$16,648	\$18,765	47.0%	43.6%
18	CAPITAL	\$148,177	\$136,397	\$4,377	\$47,321	\$89,076	34.7%	31.9%
19	Capital Sub-Totals	\$148,177	\$136,397	\$4,377	\$47,321	\$89,076	34.7%	31.9%
20	Total	\$186,337	\$171,810	\$7,477	\$63,969	\$107,842	37.2%	34.3%

Note: Report excludes Power or Trans Purchases; Debt Service; CSRS Payment; or COE, BOR, Colville Agreements & Grants; SLICE & LT GEN from Service contracts; Projects 0001112, 0001114 from Travel; Projects 0001134, 0001140 from accounts 600320, 600325, 600440. Exceptions includes Accounts that normally are not posted to a Dept ID.

Generation Supply - Tracking the Budget and Spending

Report ID: 3417PGC	Bonneville Power Administration	Run Date: April 21, 2003
Departmental Report:	CONTRACT GENERATING RESOURCES	Run Time: 08:31
Includes All Bus. Units Except CONSL	PGC - Monthly Roll-Up Summary	% of Year Lapsed = 49.6%
Data Source: Ledger - Actual, Budget	Through the Month Ended March 31, 2003	
Fiscal Year: 2003	\$ in thousands	

	SOY Limit (A)	Adjusted SOY Limit (B)	Month Actuals (C)	FY Actuals To Date (D)	FY Remaining (B) - (D)	Percentage YTD/ADJ SOY (D)/(B)	Percentage YTD/SOY (D)/(A)		
EXPENSES									
1 PERSONNEL COMPENSATION (includes PREMIUM)	\$787	\$787	\$59	\$384	\$402	48.9%	48.9%		
2 OVERTIME					\$				
3 AWARDS	\$23	(\$1)	\$	(\$2)	\$1	43.1%	-9.5%		
4 RETENTION					\$				
5 MATERIALS & SUPPLIES	\$1	\$1	\$	\$	\$1	3.5%	3.5%		
6 TRANSPORTATION (THINGS)	\$	\$	\$	\$	\$				
7 TRAVEL	\$28	\$12	\$1	\$5	\$7	40.3%	17.6%		
8 SERVICE CONTRACTS (less SLICE & LT GEN PROJECTS)	\$117	\$117	\$28	\$88	\$29	75.0%	75.0%		
9 LABOR CONTRACTS	\$	\$	\$	\$	\$				
10 AGREEMENTS & GRANTS (less COE, BOR, COLVILLE STLMN)	\$	\$	\$	\$	\$				
11 TRAINING	\$6	\$2	\$	\$	\$2	0.0%	0.0%		
12 RENTS/UTILITIES	\$	\$	\$	\$	\$				
13 OTHER (excludes CSRS PAYMENT)	\$	\$	\$	\$	\$				
14 SHARED SERVICES	\$48	\$66	\$	\$20	\$46	30.8%	42.8%		
15 BETWEEN BUSINESS LINES	\$28	\$28	\$	\$	\$28	0.0%	0.0%		
16 EXCEPTIONS	\$	\$	\$	\$	(\$)				
17	Expense Sub-Totals		\$1,037	\$1,011	\$87	\$495	\$516	49.0%	47.8%
18	CAPITAL		\$	\$	\$	\$	\$		
19	Capital Sub-Totals		\$	\$	\$	\$	\$		
20	Total		\$1,037	\$1,011	\$87	\$495	\$516	49.0%	47.8%

Note: Report excludes Power or Trans Purchases; Debt Service; CSRS Payment; or COE, BOR, Colville Agreements & Grants; SLICE & LT GEN from Service contracts; Projects 0001112, 0001114 from Travel; Projects 0001134, 0001140 from accounts 600320, 600325, 600440. Exceptions includes Accounts that normally are not posted to a Dept ID.