

Power BL Net Revenue/Expense Detailed Statement
Through the Month Ended

% of Year Lapsed = 8%

Based on BPA's Income Statement

1	PBL Operating Expenses
2	PBL Efficiencies Program
3	Power Acquisition
4	Conservation Augmentation
5	System Obligations
6	Hedging
7	Augmentation
8	Other Power Purchases
9	Transmission Acquisition
10	Reserve and Other Services
11	Third Party GTA Wheeling
12	Third Party Transmission & Ancillary Services
13	TBL Transmission & Ancillary Services
14	Closed Transmission Work Orders
15	IT & Process Automation
16	Generation Asset Management
17	Generation Development & Coord Mgmt.
18	Columbia Generation Station (WNP-2)
19	Bureau of Reclamation
20	Corps of Engineers
21	Colville Generation/ Spokane Settlements
22	Long-Term Generating Projects
23	Market Development (EE)
24	Market Development (EE) Budget Level
25	US Fish and Wildlife
26	Lower Snake River Hatcheries
27	Fuels Management
28	Operations (Scheduling)
29	Operations (Planning)
30	Power Marketing
31	Telemetry/Equip Replacement
32	Long-Term Power Purchases
33	Slice Implementation
34	Sales & Support
35	Business Planning & Support
36	CSRS Payment
37	Communication & Liaison
38	Strategy, Finance & Risk
39	Human Resource Mgmt.
40	Corporate Overhead
41	Shared Services
42	G & A Corporate Overhead

Total PBL Operating Expenses

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44	PBL Public Benefits and Fixed Expenses
45	Resource Conservation Mgmt
46	Conservation Support
47	EnergyWeb Other
48	Conserv. And Renew Discount
49	Legacy
50	New Technology Public Bennefits
51	Renewables
52	Market Transformation
53	Technology Leadership
54	Environmental Mitigation & Oversight
55	BPA Environmental Foundation
56	F&W Augmentation Projects
57	Planning Council
58	Fish & Wildlife
59	Non-Federal Debt Service
60	ENW debt service
61	Other Third Party Debt Service
62	Terminated Projects
63	Trojan O&M
64	WNP 1 & 3 O&M
65	Misc. Settlement Payments
66	Residential Exchange
67	Power Depreciation
68	Other Entities Depreciation
69	Amortization
70	Other Expense
71	Bad Debt Expense
72	Net Interest

Total PBL Public Benefits and Fixed Expenses

Total PBL Expenses

Major Program August 02 Forecasts vs. Rate Case (1998 Cost Review)

\$ in Millions

<i>Program Description</i>	FY 2000	FY 2001	FY 2002			FY 2002		FY 2003		
	Actuals	Actuals	June 2001 Rate Case	Aug 2002 Forecast	Delta	Actuals thru June	Percent of Year = 75%	June 2001 Rate Case	Aug 2002 Forecast	Delta
1 Columbia Generating Station (WNP-2)	182.4	209.5	154.1	177.7	23.6	104.0	59%	163.8	248.4	84.6
2 NORM - PNRR 1/			17.9	0.0	(17.9)			17.9	0.0	(17.9)
3 Revenue Offsets from Increased Investment			0.0	(10.0)	(10.0)			0.0	(10.0)	(10.0)
4 Total CGS Expenses	182.4	209.5	172.0	167.7	(4.3)			181.7	238.4	56.7
5 Corps of Engineers O&M	104.1	115.0	108.0	136.5	28.5	78.0	57%	112.0	145.2	33.2
6 Bureau of Reclamation O&M	46.1	53.2	47.0	55.7	8.7	41.6	75%	48.3	62.2	13.9
7 NORM - PNRR 1/			2.7	0.0	(2.7)			6.1	0.0	(6.1)
8 Revenue Offsets from Generation Investments			0.0	(7.5)	(7.5)			0.0	(7.5)	(7.5)
9 Total Corps and Bureau Expenses	150.2	168.2	157.7	184.7	27.0			166.4	199.9	33.5
10 Shared Services (estimate for FY 2000)	14.1	15.2	7.4	19.6	12.2	14.6	74%	10.0	22.6	12.6
11 Corporate G&A (estimate for FY 2000)	20.6	22.3	10.0	26.7	16.7	16.6	62%	6.7	28.4	21.7
12 NORM - PNRR 1/			3.0	0.0	(3.0)			3.0	0.0	(3.0)
13 Total Expenses for SS and Corporate G&A	34.7	37.5	20.4	46.3	25.9			19.7	51.0	31.3
14 Power Business Operations	52.6	49.3	36.9	48.3	11.4	39.6	82%	28.5	61.4	32.9
15 NORM - PNRR 1/			4.5	0.0	(4.5)			4.5	0.0	(4.5)
16 Conservation and Energy Efficiency	32.7	30.5	29.4	40.8	11.4	23.8	58%	31.4	41.1	9.7
17 NORM - PNRR 1/			0.0	0.0	0.0			2.7	0.0	(2.7)
18 Revenue Offsets from Reimbursable Contracts			0.0	(11.5)	(11.5)			0.0	(10.0)	(10.0)
19 PBL Efficiencies project	0.5	5.7	0.0	2.7	2.7	3.8	139%	0.0	4.5	4.5
20 Revenue Offsets from System Efficiencies			0.0	0.0	0.0			0.0	(7.5)	(7.5)
21 Generation Devlpmt & Coordination	6.7	4.2	3.0	7.9	4.9	6.5	82%	2.6	13.4	10.8
22 Colville Settlement	14.8	19.7	16.0	21.4	5.4	17.5	82%	16.0	20.0	4.0
23 Planning Council	7.4	7.3	5.1	8.3	3.2	6.2	74%	5.1	8.5	3.4
24 Telemetering/Equip Replacement	0.0	0.0	0.0	0.7	0.7	0.0	0%	0.0	2.0	2.0
25 Renewables	3.9	7.9	20.3	5.0	(15.3)	12.7	255%	20.1	10.5	(9.6)
26 Revenue Offsets			0.0	0.0	0.0			0.0	(9.0)	(9.0)
27 Long-Term Generating Projects	(3.8)	20.0	26.8	23.3	(3.5)	16.6	71%	27.2	27.7	0.5
28 Fish & Wildlife Augmentation Initiative	0.0	1.8	0.0	10.0	10.0	1.8	18%	0.0	0.0	0.0
29 Fish & Wildlife	108.2	101.1	131.7	120.0	(11.7)	84.2	70%	138.0	130.0	(8.0)
30 WNP-1,3 & 4 O&M/Decommissioning	(0.3)	0.0	3.5	0.1	(3.4)	0.0	0%	3.6	0.1	(3.5)
31 Between Business Expenses	0.0	0.0	4.0	0.0	(4.0)	0.0	#DIV/0!	4.0	0.0	(4.0)
32 Ancillary & Reserve Services	30.2	28.6	8.0	10.0	2.0	2.9	29%	8.0	10.0	2.0
33 Trojan O&M Decommissioning	13.9	2.6	9.6	0.6	(9.0)	0.1	17%	4.2	13.4	9.2
34 GTA Wheeling	32.8	34.2	52.0	35.2	(16.8)	24.2	69%	52.0	36.0	(16.0)
35 US Fish and Wildlife	12.4	12.7	15.4	14.9	(0.5)	9.6	64%	16.2	16.197	0.0
36 CSRS Pension	2.4	3.2	27.6	27.6	0.0	27.6	100%	17.6	17.6	0.0
37 Total Power Business Operations	314.4	328.8	393.8	365.2	(28.6)	277.1	76%	381.7	385.9	4.2
38 Major Program Expense Total	\$ 681.7	\$ 744.0	\$ 743.9	\$ 763.9	\$ 20.0	\$ 531.9	70%	\$ 749.5	\$ 875.1	\$ 125.6

1/ NORM refers to Non-Operating Risk Model as used in the June 2001 Power Rate Case to calculate a component of Planned Net Revenues for Risk. Planned Net Revenues for Risk (PNRR) were included to cover the risk of not meeting those aggressive targets. See pages 3-5 for line item descriptions.

Major Program August 02 Forecasts vs. Rate Case (1998 Cost Review)

\$ in Millions

<i><u>Program Description</u></i>	FY 2004			FY 2005			FY 2006			Average	
	June 2001 Rate Case	Aug 2002 Forecast	Delta	June 2001 Rate Case	Aug 2002 Forecast	Delta	June 2001 Rate Case	Aug 2002 Forecast	Delta	Delta 2003- 2006	Total Delta
1 Columbia Generating Station (WNP-2)	170.7	233.0	62.3	173.8	289.1	115.3	179.8	223.0	43.2		
2 NORM - PNRR 1/	17.9	0.0	(17.9)	17.9	0.0	(17.9)	17.9	0.0	(17.9)		
3 Revenue Offsets from Increased Investment	0.0	(10.0)	(10.0)	0.0	(10.0)	(10.0)	0.0	(10.0)	(10.0)		
4 Total CGS Expenses	188.6	223.0	34.4	191.7	279.1	87.4	197.7	213.0	15.3	48.4	193.8
5 Corps of Engineers O&M	112.0	146.2	34.2	112.0	148.3	36.3	112.0	150.9	38.9		
6 Bureau of Reclamation O&M	48.3	64.0	15.7	48.3	65.9	17.6	48.3	67.6	19.3		
7 NORM - PNRR 1/	6.1	0.0	(6.1)	6.1	0.0	(6.1)	6.1	0.0	(6.1)		
8 Revenue Offsets from Generation Investments	0.0	(7.5)	(7.5)	0.0	(7.5)	(7.5)	0.0	(7.5)	(7.5)		
9 Total Corps and Bureau Expenses	166.4	202.7	36.3	166.4	206.6	40.2	166.4	211.0	44.6	38.7	154.6
10 Shared Services (estimate for FY 2000)	10.0	23.4	13.4	10.0	24.6	14.6	10.0	24.6	14.6		
11 Corporate G&A (estimate for FY 2000)	6.7	28.9	22.2	6.7	29.8	23.1	6.7	30.4	23.7		107.4
12 NORM - PNRR 1/	3.0	0.0	(3.0)	3.0	0.0	(3.0)	3.0	0.0	(3.0)		
13 Total Expenses for SS and Corporate G&A	19.7	52.3	32.6	19.7	54.4	34.7	19.7	55.0	35.3	33.5	133.9
14 Power Business Operations	20.9	62.6	41.7	19.6	63.5	43.9	17.7	64.8	47.1		165.6
15 NORM - PNRR 1/	4.5	0.0	(4.5)	4.5	0.0	(4.5)	4.5	0.0	(4.5)		(18.0)
16 Conservation and Energy Efficiency	31.6	44.2	12.6	32.0	40.8	8.8	32.3	41.1	8.8		39.9
17 NORM - PNRR 1/	2.7	0.0	(2.7)	2.7	0.0	(2.7)	2.7	0.0	(2.7)		(10.8)
18 Revenue Offsets from Reimbursable Contracts	0.0	(10.0)	(10.0)	0.0	(10.0)	(10.0)	0.0	(10.0)	(10.0)		(40.0)
19 PBL Efficiencies project	0.0	3.3	3.3	0.0	3.4	3.4	0.0	1.6	1.6		12.9
20 Revenue Offsets from System Efficiencies	0.0	(7.5)	(7.5)	0.0	(7.5)	(7.5)	0.0	(7.5)	(7.5)		(30.0)
21 Generation Devlpmt & Coordination	3.1	14.2	11.1	3.1	16.2	13.1	3.2	16.3	13.1		48.1
22 Colville Settlement	16.0	20.0	4.0	16.0	21.0	5.0	16.0	21.0	5.0		18.0
23 Planning Council	5.1	8.7	3.6	5.1	8.9	3.8	5.1	9.0	3.9		14.7
24 Telemetering/Equip Replacement	0.0	2.0	2.0	0.0	2.0	2.0	0.0	2.0	2.0		8.0
25 Renewables	20.0	8.1	(11.9)	19.9	15.4	(4.5)	19.8	15.5	(4.3)		(30.3)
26 Revenue Offsets	0.0	(7.0)	(7.0)	0.0	(14.0)	(14.0)	0.0	(14.0)	(14.0)		(44.0)
27 Long-Term Generating Projects	27.7	28.3	0.6	28.3	28.8	0.5	28.8	29.3	0.4		2.0
28 Fish & Wildlife Augmentation Initiative	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
29 Fish & Wildlife	140.1	134.4	(5.7)	142.9	139.0	(3.9)	144.4	143.7	(0.7)		(18.3)
30 WNP-1,3 & 4 O&M/Decommissioning	3.6	0.1	(3.5)	3.6	0.1	(3.5)	3.6	0.1	(3.5)		(14.2)
31 Between Business Expenses	4.0	0.0	(4.0)	4.0	0.0	(4.0)	4.0	0.0	(4.0)		(16.0)
32 Ancillary & Reserve Services	8.0	8.0	0.0	8.0	8.0	0.0	8.0	8.0	0.0		2.0
33 Trojan O&M Decommissioning	2.6	11.2	8.6	2.6	7.1	4.5	2.6	2.8	0.2		22.5
34 GTA Wheeling	52.0	37.0	(15.0)	52.0	38.0	(14.0)	52.0	39.0	(13.0)		(58.0)
35 US Fish and Wildlife	17	16.995	0.0	17.9	17.892	0.0	18.8	18.789	0.0		0.0
36 CSRS Pension	15.5	15.5	0.0	13.3	13.3	0.0	11.6	11.6	0.0		0.0
37 Total Power Business Operations	374.4	390.0	15.6	375.5	391.7	16.2	375.1	393.1	18.0		54.0
38 Major Program Expense Total	\$ 749.1	\$ 868.1	\$ 119.0	\$ 753.3	\$ 931.8	\$ 178.5	\$ 758.9	\$ 872.1	\$ 113.2	\$ 134.1	\$ 536.3

1/ NORM refers to Non-Operating Risk Model as used in the June 2001 Power Rate Case to calculate a component of Planned Net Revenues for Risk. Planned Net Revenues for Risk (PNRR) were included to cover the risk of not meeting those aggressive targets. See pages 3-5 for line item descriptions.

1 – Columbia Generating Station O&M (WNP-2). Operating and maintenance costs, including capital infrastructure investments and nuclear fuel. Costs are higher in refueling years (i.e., 2003 and 2005) when less electricity is generated.

5 & 6 – Corps of Engineers and Bureau of Reclamation O&M reflect the direct operating and maintenance expenses of all power generating projects in the Federal Columbia River Power System.

10 – Shared Services represent the costs for information technology services, infrastructure and maintenance; building rent, maintenance and security; mail services, personnel services, library and printing services, internal training, purchasing, and furniture.

11 – Corporate G&A represents the allocated portion of Corporate general and administrative costs, which are now split evenly between both business lines. Major functions besides the Executive Office and its functions, are Corporate Communication, Finance, Diversity, and Safety.

14 – Power Business Operations reflects most of the people and related costs within the Power Business organization with the exception of those groups charging their time to Conservation & Energy Efficiency and Generation Development & Coordination, as well as some direct labor and contract costs from other organizations in BPA, primarily Legal, Finance, Strategic Planning and Fish & Wildlife.

16 – Conservation and Energy Efficiency reflects the costs of several conservation programs in Power, including Market Development which are reimbursable contracts with equal and offsetting revenues; Market Transformation, Legacy Conservation programs, Technology Leadership, and Low Income Weatherization.

19 - PBL Efficiencies is a set of projects started in 1999 in response to the Cost Review to improve overall efficiencies to maximize performance and meet the challenges in rapidly changing markets. They consist of **Near Real Time Optimization** to more accurately optimize the federal hydro system generation; **Columbia Vista** software which will make more efficient use of water thus resulting in added net revenues; **Enterprise Application Integration** which will provide a seamless integration of applications across BPA networks which will reduce interface development, maintenance costs, and staff time associated with introducing new application into the PBL application architecture; **Generation Management System** is a real-time system for better managing generating resources, inventories, implement zonal generation management, transition to RTO and update systems to industry standards; this will allow duty schedulers to have increased control of the hydro system and depend less on manual processes; **Information Factory** to access, query and analyze information from multiple sources, including PBL processes, agency financial systems and the Corporate InfoFactory; **Load Forecasting** project to improve all aspects of generating or using load information which will improve revenue, rates, and risk predictions as well as improved operations planning procedures; **Transaction Scheduling System** will facilitate the power/transmission transaction process from contract signing to billing eliminating the need for multiple, manual processes.

21- Generation Development and Coordination consists primarily of Federal Hydro Project and Contract Generating Resource support, including the associated people costs. These are the people and related costs associated with those PBL operations activities not included in line 14 – Power Business Operations or in line 16 – Conservation and Energy Efficiency.

22 - Colville Settlement is the program for settling with the Colville Nation lands lost with the construction of Grand Coulee dam and is based on an algorithm of actual generation from Grand Coulee with sales revenue.

23 - Planning Council pays for the staff and expenses of the Northwest Power Planning Council.

24 - Telemetry/Equipment Replacements are for transmission engineering services, including equipment, to provide transmission support for General Transfer Agreement (GTA) customers. This is a new program initiated in FY 2002 to replace aging equipment.

25 - Renewables are generating projects fueled by renewable energy resources, such as wind, geothermal, methane gas, solar and “fish friendly” small hydro projects.

27 - Long-Term Generating Projects consist of output contracts for generating resources, such as Cowlitz Falls, Billing Credits Generation, Wauna, Packwood dam O&M, and Clearwater Hatchery Generation.

28 - Fish & Wildlife Augmentation Initiative reflects costs incurred to mitigate the impacts of the drought and low water conditions in FY 2001. There are no expected costs beyond FY 2002.

29 – Fish & Wildlife represents the expected value of a range of costs of the direct BPA program costs for mitigating and enhancing Endangered Species Act listed species and other measures called for under the 2000 FCRPS NMFS Biological Opinion. This program uses the NW Power Planning Council’s Review and Sub-basin Planning processes to identify activities for implementation.

30 – WNP-1, 3 & 4 O&M/Decommissioning reflects the costs for the decommissioning or restoration of sites for three incomplete nuclear power plants.

31 - Between Business Expenses reflects costs for services provided by the Transmission Business Line except the wheeling of power (e.g., aircraft services [for travel], engineering design services, etc.). These costs are now identified by general ledger accounts, as opposed to Projects, and are forecast within Power Business Operations, Generation Development & Coordination, and Conservation (lines 14, 16 and 21).

32 - Ancillary & Reserve Services represent costs associated with services necessary to support the transmission of energy from resources to loads: reliability, scheduling and dispatch, spinning reserves, emergency reserves, load following and regulation, automatic generation control, energy imbalance, transmission losses, control area reserves for resources and for interruptible purchases.

33 - Trojan O&M Decommissioning reflects the costs associated with the decommissioning of the Trojan nuclear power plant.

34 - GTA (General Transfer Agreements) Wheeling reflects the costs for wheeling power over a second utility's line to a customer of the first utility in the second utility's control area.

35 - U.S. Fish and Wildlife reflects the costs for the Lower Snake River Compensation Plan, a series of 13 fish hatcheries on the Lower Snake to mitigate the damage done to fish by the construction of Lower Monumental, Little Goose, Lower Granite, and Ice Harbor dams.

36 - CSRS Pension reflects the costs for the unfunded liability of the Civil Service Retirement and Disability Fund, the Employees Health Benefits Fund, and the Employees Life Insurance Fund that has not been covered prior to FY 1998. This cost is split 50/50 between Power and Transmission. Cost estimates also include the power related portion of Corps of Engineers, Bureau of Reclamation, and the U.S. Fish and Wildlife Pension and Post-retirement Benefits. This is a fixed amount not subject to change through the rate period.

COST CONTROL OPTIONS

Originally prepared by Terry Mundorf but incorporating Mark Stauffer's addition.

INTRODUCTION

The Federal base system (FBS) has the ability to produce large amounts of power which is sold at cost in the region at cost. The value to the region of this asset is that historically the cost of power from the FBS has been well below the market cost of power.

Customers will sign long-term take or pay contracts with BPA only if there is a reasonable expectation that the cost of power from the FBS will be at or below the market cost of power, and that they will not be trapped in a long-term contract which charges them rates that are above market. At the end of the day, it is the rates that customers pay to BPA for power that determine whether they are receiving value or paying a premium for FBS power.

There are three elements that affect the level of the rates paid by BPA customers that must be addressed to provide customers with the level of assurance they need to make a long-term contractual commitment to BPA. These include the process for setting BPA's budget, the trigger or method for determining when BPA's proposed rates or actual spending is too high, and the remedy available to customers when either of those two events occur.

The following are some ideas for addressing each of these three elements. These options are not mutually exclusive and can be combined, and they are not listed in order of preference.

BUDGET PROCESS OPTIONS

1. Programs in Perspective

A public review and comment process that provides input on specific proposed spending levels for considerations in making up the BPA budget. This would be similar to public process used in 1980's, but would include customer recommendations on spending levels. Final spending level decisions would rest with the Administrator.

2. Cost Advisory Board

An advisory group composed (in the majority) of BPA customers that would participate in the budget deliberation and formulation process at BPA. This would include getting internal budget memos, monitor staff briefings and the ability to question department heads. The advisory group would make specific spending level recommendations to BPA. Final spending level decisions would rest with the Administrator.

3. Rate Case

Spending levels for purposes of establishing the revenue requirement used to set BPA's rates could be adjudicated in the BPA wholesale rate cases, as they were in the 1980's. This would give all interested parties the ability to question proposed spending levels and to suggest alternatives. The Administrative Law Judge for the rate case could make findings and conclusions regarding proposed spending levels. The final decision regarding spending levels would rest with the Administrator.

4. Independent Oversight

Spending levels could be the subject of a separate review process before an objective and independent administrative law judge hired by the NWPPC. This process would be available in the event that any interested party objected to the level of spending proposed by BPA for a particular area or areas. The process would be conducted in a manner similar to the BPA rate case process, with parties being able to present alternatives and make counter proposals. The administrative law judge would make finding and conclusions regarding the spending areas in controversy that would be presented to the Administrator. The Administrator would make the final decisions regarding the spending levels.

5. Panel of Experts

As part of the BPA rate process to set the revenue requirement, a panel of knowledgeable experts could be convened to review the proposed spending levels, receive explanations from the BPA staff, and consider alternative proposals from customers and other interested parties. This panel would make recommendations to the Administrator regarding the appropriate spending levels for the rate period. The final decision regarding spending levels would rest with the Administrator.

6. Advisory Board of Directors (per Mark Stauffer).

The Advisory Board of Directors would consider all the issues that a regular board considers in addition to just budgetary issues. It would meet at least monthly and would be comprised of both customers and outside members that are leaders in the industry. The administrator could be the Chairman. The board would provide the administrator with recommendations on major issues, and the recommendations would be public information. Real influence on the budget in made at the time policy, personnel, and other decisions are made. All major decisions including policy, personnel, and draft ROD's would be reviewed by the board.

Such a board could/should be in addition to one of the "cost review" panels suggested in Terry's thoughts. Decisions on numerous issues affect BPA's budgets before they ever show up in the budget. Once they are in the budget the question becomes more one of how much rather than if they should exist at all. This could be an incremental step towards regional control of BPA.

TRIGGER EVENT

1. Exceeds Recommendation

For those budget processes that involve recommendations or findings and conclusions, such as options 1 through 5 above, either adopting rates or actually spends amounts in excess of the recommended levels could be used as the trigger event for any remedy available to the customers.

2. Benchmarking

This option would establish levels of spending by cost category that would be permissible, using indices or some other yardstick. In the event that BPA adopts rates or actually spends amounts in excess of the benchmarks, the remedies available to the customers would be triggered.

3. Contract Limits

The new BPA power contracts could specify either specific rate levels that are permissible, or could cite specific indices that would serve to cap the level of rate increase that BPA could impose on the customers. If the limit were exceeded, the remedies available to the customers would be triggered.

REMEDIES

1. Load Removal

When the trigger event occurs, the customer would have the option of removing load from BPA service either for the rate period, or for the remainder of the contract upon giving BPA some prior notice. The amount of load removed could be calibrated to the degree by which BPA has exceeded the applicable spending/rate limit.

2. Contract Liquidated Damages/Termination

In the event that BPA sets rates based on spending levels in excess of the applicable recommendations, or actually spends in excess of such levels or rate limit, the new BPA power contracts could contain a liquidated damage provision that makes the customers financially whole. In the alternative, such contract could also contain a right to terminate the contract for such an exceedence.