



April 29, 2009

Integrated Program Review 2:
Final Meeting on
FY 2010-2011 Program Levels
and Risk Mitigation Tools



Purpose of This Meeting

- Draft program level decisions were made available April 24.
- Today we will discuss the draft decisions and listen to your comments.
- The comment period closes May 1, after which final decisions will be made.
- Page 13 of this package has directions on how to provide comments.



Agenda

- Introduction

- Status of Risk Mitigation Tools

- IPR 2 – Draft Decision on Planned Program Levels

- Participant Comments and Suggestions on Other Changes



Status of Risk Mitigation Tools



Additional Liquidity

- BPA has been successful in expanding its ability to borrow short-term from the U.S. Treasury.
- The existing Treasury liquidity facility has been expanded from \$300 million to \$750 million.
- BPA believes this eliminates the need to pursue extension of the Flexible PF Rate Program and the use of Agency reserves.
- Analysis indicates this additional liquidity, along with significant reductions in planned spending, will allow BPA to keep the power rate increase to a lower level than reflected in the initial rate proposal.



Analysis

	Assumptions			Results			
	FY 2009 Financial Results	Level of Additional Liquidity	Cost Reductions in FY 10/11	Percent Increase in non-Slice PF Rate above FY 09 Rate	CRAC Probability in FY 2010	EV of FY 2010 CRAC Dollars (\$M)	
2010-11 gas price: \$5.25	1a	-\$250M MNR	\$0	8.8%	1%	0.1	
	1b		\$200M	\$50	5.4%	1%	0.1
	1c		\$400M	\$0	8.8%	0%	0.0
	1d			\$50	5.4%	0%	0.0
	2a	-\$350M MNR	\$0	9.2%	35%	18.0	
	2b		\$200M	\$50	5.8%	35%	18.0
	2c		\$400M	\$0	9.2%	0%	0.0
	2d			\$50	5.8%	0%	0.0
3	2010-11 gas price: \$4.00	-\$250M MNR	\$400M	\$50M	10.2%	0%	0.0
4	2010-11 gas price: \$4.00	-\$350M MNR	\$400M	\$50M	10.6%	0%	0.0
5	2010-11 gas price: \$7.25	-\$250M MNR	\$400M	\$50M	-1%	0%	0.0
6		-\$350M MNR	\$400M	\$50M	-0.7%	46%	26.2
7	\$5.25 gas prices in FY 10-11	-\$350M	\$400M	\$50M	2.8% in FY 10, 7.9% in FY 11	0%	0.0

Stepped rate analyses: Assumes the nonSlice PF rate adjusted down in 2010 and up in 2011 by the equivalent of a cost shift of \$50M from 2010 to 2011 (77.4% of that affects nonSlice rate). REP \$ not adjusted for this.

1. all scenarios assume \$0 Planned Net Revenues for Risk
2. all scenarios assume a lower load forecast in FY 2010 of 220 aMW and 240 aMW in FY 2011



IPR-2 – Draft Decisions on Program Levels



Cost Reduction Efforts: Proposed Changes in FY 2010-2011 Power Costs from IPR

	IPR 1		March 18 IPR 2		March 18 change from IPR 1		April 24 Draft IPR 2 Decisions		April 24 Draft changes from IPR 1	
	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011
\$ in thousands										
Power										
Columbia Generating Station	269,200	365,000	265,700	343,700	(3,500)	(21,300)	258,200	325,400	(11,000)	(39,600)
Corps and Reclamation	280,700	296,461	280,700	296,461	-	-	275,928	287,043	(4,772)	(9,418)
Long Term Generation Program	31,889	32,343	30,380	30,722	(1,509)	(1,621)	30,380	30,722	(1,509)	(1,621)
Renewables includes Rate Credit	45,588	45,938	45,588	45,938	-	-	45,588	45,938	-	-
Generation Conservation	87,088	86,722	86,088	87,222	(1,000)	500	86,088	87,222	(1,000)	500
Internal Operations	135,627	139,910	135,627	139,910	-	-	125,875	128,031	(9,752)	(11,879)
Post-Retirement Contribution	15,598	16,071	15,447	15,579	(151)	(492)	15,447	15,579	(151)	(492)
Fish & Wildlife	263,583	270,714	263,583	270,714	-	-	248,583	270,714	(15,000)	-
Other-Colville Settlement, Non-Op Generation	25,746	28,082	25,746	28,082	n/a	n/a	25,746	26,282	-	(1,800)
Total	2,084,819	2,258,441	2,072,580	2,223,457	(6,160)	(22,913)	1,111,835	1,216,931	(43,184)	(64,310)

- BPA and its partner agencies have taken significant steps to reduce planned spending for FY 2010-2011.
- Significant forecasted cost reductions have resulted from these efforts. In total, power cost reductions totaling \$107 million over the FY 2010-2011 rate period have been identified, averaging over \$53 million per year.
- Another \$27 million in power forecasted cost reductions were identified for FY 2009.
- These reductions will make a major contribution to the effort to reduce the size of the potential Power rate increase.



BPA Internal Cost Reductions

PROGRAM	FY 2009 Change	FY 2010 Change	FY 2011 Change
\$ in thousands			
Agency Services			
Agency Services Total	(9,961)	(10,834)	(13,422)
Agency Services Allocated to Power	(3,421)	(5,824)	(7,339)
Additional Power Reductions	(1,505)	(3,928)	(4,540)
Total Reduction to Power Cost	(4,926)	(9,752)	(11,879)

- **Internal Power cost reduction forecasts total approximately 7 percent for 2010 and 2011.**
 - BPA planned Agency Services costs have been reduced by \$10.8 million for FY 2010 and \$13.4 million for FY 2011. The impact to Power rates is roughly \$5.8 million in FY 2010 and \$7.3 million in FY 2011.
 - Additionally, FY 2009 forecasted Agency Services costs were reduced by \$10 million.
 - Power Services internal operating costs were reduced by \$1.5 million for FY 2009, \$3.9 million for FY 2010 and \$4.5 million in FY 2011.
- **The total forecasted reductions for internal costs to Power are \$4.9 million for FY 2009, \$9.8 million for FY 2010, and \$11.9 million for FY 2011.**



Fish and Wildlife

	IPR 1		April 23 Draft IPR 2 Decisions		Change from IPR 1	
	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011
\$ in thousands						
Power						
Fish & Wildlife	263,583	270,714	248,583	270,714	(15,000)	-

Proposed Changes:

In recognition of the fact that the efforts associated with the Fish Accords are taking longer to ramp up than was anticipated, Columbia River Inter-Tribal Fish Commission (CRITFC) and its member tribes have worked with BPA to establish a realistic estimate of the actual spending for FY 2009 and FY 2010. This results in a reduction of \$15 million in each of those years.



Corps and Reclamation

PROGRAM	IPR		April 23 Draft IPR2 Decisions		Change	
	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011
\$ in thousands						
Power						
Corps of Engineers	193,000	197,911	190,560	192,433	(2,440)	(5,478)
Bureau of Reclamation	87,700	98,550	85,368	94,610	(2,332)	(3,940)
Combined Total	280,700	296,461	275,928	287,043	(4,772)	(9,418)

Proposed Changes:

The Corps of Engineers reduced their planned spending for FY 2010-2011 by \$6.7 million, and additional reductions on the order of \$1.25 million are still being considered. They also reduced FY 2009 forecasts by an additional \$1.5 million, for a total \$2.6 million reduction in FY 2009.

Bureau of Reclamation reduced their planned spending for FY 2010-2011 by \$5.7 million, and additional reductions on the order of \$0.6 million are still being considered. They also reduced their FY 2009 forecast by \$810 thousand.



Columbia Generating Station (Energy Northwest)

	IPR 1		April 24 Draft IPR 2 Decisions		Change from IPR 1	
	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011
\$ in thousands						
Power						
Columbia Generating Station	269,200	365,000	258,200	325,400	(11,000)	(39,600)

Proposed Changes:

- EN made uranium purchases in FY 2009, reducing costs in FY 2010-2011 by \$28.2 million over the rate period but increases costs by \$18.0 million in FY 2009.
- EN has determined that its current SWU (separative work unit) inventory, which is one portion of CGS's nuclear fuel inventory, is in excess of CGS's needs and will be sold in EN FY 2011. The excess is the result of the ARTS/MELLA project which reduced CGS's fuel needs. The sale will produce \$12 million in revenue that will offset O&M funding needs for CGS.
- An error in the original IPR 1 forecasts was corrected which increases IPR2 the forecast by \$2.8 million over the rate period.
- EN and BPA negotiated a reduction to CGS O&M contingency reserves that is different than what was reflected in IPR 1 forecasts which reduces forecasted O&M costs by \$2.4 million for FY 2010-2011.
- NEIL insurance will increase by \$1.7 million over the rate period due to reduced member distributions that in the past reduced the gross insurance premiums. Distributions were reduced due to lower investment returns on the NEIL insurance financial reserves and a substantial claim loss in 2008 paid to another plant.
- EN has committed to O&M reductions of \$11.8 million over the rate period. At this time, \$0.8 million in reductions will be made in travel, training, employee awards, the regional communications plan, and vehicle purchases. The remaining \$11 million will be achieved through a reductions of uranium purchases in EN FY 2011 and 2012. These purchase will be deferred to future fiscal years. EN will continue to review its costs for further decreases to CGS O&M that would reduce the impact on uranium purchases.



Your Comments?



Ways to Participate

- All forums are open to the public and will be noticed on the IBR external web site at: <http://www.bpa.gov/corporate/Finance/IBR/IPR/>
- Close of comment is May 1, 2008.
- You have several options to provide comments to BPA:
 1. Discuss your input with your Customer Account Executive, Constituent Account Executive, or Tribal Liaison.
 2. Submit written comments to Bonneville Power Administration, P.O. Box 14428, Portland, OR 97293-4428 by May 1
 3. Submit comments via e-mail to: comment@bpa.gov or submit on line at: <http://www.bpa.gov/comment> by May 1.
 4. Comments can also be sent via fax to (503) 230-3285 by May 1.



BPA's Financial Disclosure Information

1. All FY 2009-2013 information was provided in April 2009 and cannot be found in BPA-approved Agency Financial Information, but is provided for discussion or exploratory purposes only as projections of program activity levels, etc. This information is a derived estimate for presentation purposes and cannot be found in BPA-approved Agency Financial Information but is provided for discussion or exploratory purposes only as "projections of program activity levels, etc."