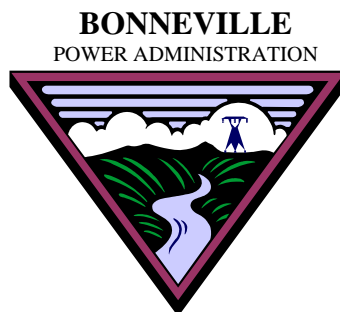


**Bonneville Power Administration
Integrated Program Review 2
FY 2010-2011 Power and Transmission Program Levels**

**Draft Decisions Report
April 24, 2009**



Draft Decisions Report for Integrated Program Review 2

FY 2010-2011 Power and Transmission Program Levels

SECTION 1: BACKGROUND AND SUMMARY OF DECISIONS

Background

BPA held its first “Integrated Program Review” (IPR) process in 2008, largely focused on FY 2010 and 2011 program levels for BPA’s Power and Transmission Services. Results of that process were provided November 14, 2008, in a report that addressed the comments received and outlined BPA’s decisions regarding the FY 2010-2011 program level forecasts. (See www.bpa.gov/corporate/Finance/IBR/IPR/ for additional background and materials made available during that process.) These forecasts formed the basis for Power and Transmission rate case initial proposals for FY 2010-2011 rates; however BPA committed to re-evaluating the costs in an additional public process prior to the development of final rate proposals in the spring of 2009.

The Spring Process

On March 18, 2009, BPA held the first Integrated Program Review 2 (IPR2) workshop to review spending level decisions made in November. This spring process was expected to be abbreviated, however several factors have changed the landscape significantly since the earlier IPR and development of the initial rate proposals released in February. The global financial market crisis and the deterioration of the U.S. economy have resulted in high unemployment and severe financial circumstances for many in the Northwest. At the same time, BPA’s financial situation has declined due to continuing poor hydro conditions and low power market prices, resulting in the potential for a significant increase in power rates for FY 2010-2011. Because BPA recognizes it would be very difficult for the Pacific Northwest to tolerate a large power rate increase in the current economic climate, BPA has been working collaboratively with customers in the power rate case process to identify risk mitigation tools to decrease the likelihood of a significant rate increase. Likewise, the focus of the IPR2 process has been to identify potential areas of targeted cost-cutting measures to help keep power rates down. While this IPR2 process is focused on FY 2010-2011, forecasted reductions have also been found in some programs for FY 2009, and are described in this document. These reductions affect ending FY 2009 cash reserves which can have an impact on power rates.

At the March 18 workshop, BPA presented an initial set of proposed program levels with little change from the original IPR decisions, but discussed the fact that additional actions would need to be taken to avoid a potentially large power rate increase and that BPA and its partner agencies were in the process of assessing what additional actions they could take to reduce costs. Participants at the meeting heard from utility general managers that they are seeing severe economic impacts to their customers are taking severe cost-cutting actions, and expected BPA, Energy Northwest (EN), the U.S. Army Corps of Engineers (Corps), and the Bureau of Reclamation (Reclamation) to do the same.

A second workshop was held on April 9 to provide a status update on the cost reduction efforts. At that meeting, BPA described the efforts it had taken to reduce FY 2009 forecasted operating costs by about \$18 million or 2.7 percent, roughly \$6.3 million of which is recovered in power rates. The remaining \$11.7 million will impact Transmission expense and capital costs. These reductions include elimination of all employee and executive monetary performance awards, totaling approximately \$6.8 million, for the remainder of FY 2009. BPA also described the efforts in progress to reduce FY 2010-2011 forecasted operating costs recovered by power rates by roughly 7 percent. Fish and Wildlife reductions were not yet identified, but BPA indicated that spending levels for meeting new Columbia Fish Accord commitments this year and next are likely to be less than anticipated in the IPR workshops due to ramp-up-related complexities. The Corps, Reclamation and EN described their progress on identifying proposed cost reductions: the Corps identified \$3.7 million in reductions for FYs 2009-2011; Reclamation identified \$2.3 million reduction in FY 2011; and EN identified \$6.8 million in FY 2009 and \$12 million in FY 2010, in addition to the changes related to uranium purchases identified at the March 18 meeting, and said it expected to find some additional reductions. While customers expressed appreciation for the work to date, they encouraged the agencies to find additional reductions. BPA, the Corps, Reclamation and EN all committed to review their forecasts again. Since that time, BPA has confirmed its 7 percent FY 2010-2011 operating cost reductions and decreased Fish and Wildlife spending forecasts due to ramp-up-related complexities, and the other agencies have identified additional reductions.

This document describes BPA's draft decisions for FY 2010-2011 program levels. There will be another meeting held April 29, from 1:00 to 4:00 p.m., with Administrator Steve Wright in attendance, to discuss and receive comments on these proposed spending levels. The comment period closes May 1, after which final decisions will be made.

Summary of Draft Decisions

BPA recognizes the serious impact a large power rate increase could have on the region in the current economic downturn. So while BPA believes the proposed spending levels identified in the initial IPR process were appropriate and prudent from both a long- and a short-term perspective, BPA executives determined that it is important that the Agency take additional cost-cutting actions to help reduce the potential increase to power rates. They asked that all parts of the agency whose costs impact power rates reduce their internal operations costs below the levels identified in the earlier IPR. Should economic conditions and BPA's financial conditions improve during the rate period, BPA may consider restoring some of these reductions to improve its ability to meet its objectives.

Significant 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 cost reductions were identified for FY 2009. These reductions do not include potential reductions to debt service expense. These reductions will make a major contribution to the effort to reduce the size of the potential Power rate increase.

As BPA reviewed planned spending levels the primary emphasis was on reducing proposed costs directly in power services and making planned reductions in Agency Services costs that

impact power rates through cost allocations. The actions taken are described in the Agency Services and Power Services sections below. Likewise, the Corps, Reclamation and EN all identified some additional reductions in their programs. All forecasted reductions are summarized here, and are described in more detail in the sections following.

- 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 \$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 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.
- The Corps of Engineers reduced their spending level forecast for FY 2010-2011 by \$6.7 million from IPR levels, with the potential for additional reductions still under discussion. This is an additional \$4.0 million since the April 9 workshop. Additionally they 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 spending level forecast for FY 2010-2011 by \$5.7 million from IPR levels, with the potential for additional reductions still under discussion. This is an additional \$3.4 million since the April 9 workshop. Additionally they reduced their FY 2009 forecast by \$810 thousand.
- BPA, in coordination with the Columbia River Inter-Tribal Fish Commission (CRITFC), has updated the anticipated spending levels for meeting new Columbia Fish Accord commitments in FY 2009 and FY 2010, and is forecasting \$15 million per year less spending as a result of new work in the Fish Accords not ramping up as quickly as expected.
- EN costs have been reduced by \$11 million in FY 2010 and \$39.6 million in FY 2011. \$28.2 million of this two year reduction is related to a uranium fuel purchase done in FY 2009, resulting in lower over-all fuel costs and moving costs from 2010-2011 into 2009. Additionally, EN will delay fuel purchases planned for 2011 and 2012. This will result in a reduction of strategic uranium inventory sooner than originally planned and will incorporate the fuel savings impact of the “ARTS/MELLLA” project which was recently approved (a fuel optimization technique allowing CGS to load less fuel to produce the same power).
- Long-term Generating Program costs have been reduced by \$1.5 million in FY 2010 and \$1.6 million in FY 2011 due to new analysis of the likely costs.
- Conservation Rate Credit changes net a \$1 million decrease in FY 2010 and a \$0.5 million increase in FY 2011.

Changes to FY 2009 Power Costs

These are not within the scope of the IPR2 process, but forecasted reductions have been targeted in many programs in the current year in order to help mitigate the potential rate increase for the FY 2010-2011 period.

PROGRAM	Start-of-Year	Revised Spending Levels	Change
	FY 2009	FY 2009	FY 2009
\$ in thousands			
Power			
Columbia Generating Station	293,450	308,000	14,550
Corps and Reclamation	261,600	258,205	(3,395)
Long Term Generation Program	31,613	31,961	348
Generation Conservation	82,710	67,910	(14,800)
Internal Operations	122,924	121,419	(1,505)
Fish & Wildlife	200,000	185,000	(15,000)
Other-Colville Settlement, Non-Op Generation	27,413	17,223	(10,190)
Total	1,050,576	1,020,284	(30,292)

Changes in FY 2010-2011 Power Costs from IPR

PROGRAM	IPR		April 23 Draft IPR2 Decisions		Change	
	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)
Corps and Reclamation	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)
Renewable Resources includes Rate Credit	45,588	45,938	45,588	45,938	-	-
Generation Conservation	87,088	86,722	86,088	87,222	(1,000)	500
Internal Operations 1/	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)
Fish & Wildlife	263,583	270,714	248,583	270,714	(15,000)	-
Other-Colville Settlement, Non-Operation Generation	25,746	28,082	25,746	26,282	-	(1,800)
Total	2,084,819	2,258,441	1,786,973	1,911,346	(43,184)	(64,310)

Changes in FY 2010-2011 Transmission Costs from IPR

PROGRAM	IPR		April 23 Draft IPR2 Decisions		Change	
	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011
\$ in thousands						
Transmission						
Operations						
System Operations	56,573	57,497	56,573	57,497	-	-
Scheduling	9,423	9,868	9,423	9,868	-	-
Marketing	19,500	20,225	19,500	20,225	-	-
Business Support	37,588	37,844	37,588	37,844	-	-
Maintenance						
System Maintenance	122,099	126,877	122,099	126,877	-	-
Environmental Operations	3,797	3,996	3,797	3,996	-	-
Transmission Engineering	26,500	28,011	26,500	28,011	-	-
Agency Services	58,779	58,940	58,779	58,940	-	-
Estimated Change in Agency Service Allocations 1/			(13,978)	(15,272)	(13,978)	(15,272)
Post-Retirement Contribution	15,598	16,071	15,447	15,579	(151)	(492)
Other Income, Expenses and Adjustments	(2,000)	(2,000)	(2,000)	(2,000)	-	-
Total	347,857	357,329	333,728	341,565	(14,129)	(15,764)

1/ Estimated Change in Agency Service Allocations & Transmission Costs due to both a review of Agency Services Allocations and IPR2 revised estimates, award reductions and reduced COLA assumptions.

Agency Services Changes (reflected in the Power and Transmission tables)

PROGRAM	FY 2009 Change	FY 2010 Change	FY 2011 Change
\$ in thousands			
Agency Services			
Executive Office	(221)	(511)	(11)
Chief Risk Officer	(145)	(358)	(358)
Technology Innovation & Confirmation	(72)	(8)	(2,608)
Agency Compliance & Governance	(128)	(276)	(276)
Chief Public Affairs Office	(365)	(630)	(615)
Internal Audit	(87)	(19)	(19)
Finance	(559)	(1,049)	(1,049)
Corporate Strategy	(2,833)	(2,527)	(2,527)
General Counsel	(132)	(154)	(156)
Customer Support Services	(401)	(900)	(723)
Internal Business Services Administration, Security and Safety	(297)	(451)	(1,807)
Human Capital Management	(448)	305	1,102
Supply Chain Services	(607)	(162)	(166)
Workplace Services	(599)	(48)	(48)
Information Technology	(1,299)	(311)	(311)
Environment, Fish & Wildlife	(1,411)	(670)	(671)
Energy Efficiency & Conservation	(357)	(580)	(580)
Undistributed Reduction	0	(1,200)	(1,500)
Estimated Impact of COLA Assumption Reduction	0	(1,285)	(1,099)
Agency Services Total	(9,961)	(10,834)	(13,422)
Agency Services Allocated to Power	(3,421)	(5,824)	(7,339)
Additional Power Reductions 1/	(1,505)	(3,928)	(4,540)
Total Reduction to Power Cost	(4,926)	(9,752)	(11,879)

1/ 2009 Reductions are from FY 2009 Start-of-Year, FY 2010 and FY 2011 are from IPR proposed program spending levels that were the basis of BPA's initial rate proposal for 2010 and 2011.

Next Steps:

The comment period on draft spending level decisions closes on May 1, 2009. At that time, BPA will consider all comments and make final determinations as to the forecasted spending levels that will be included in the final Power and Transmission rate proposals. A final report will be provided once decisions are made.

SECTION 2: INTERNAL COSTS

Agency Services includes direct program support costs as well as general and administrative costs. These activities are integral to and in support of the work described in the Power and Transmission sections. The costs are distributed to and embedded in the Power and Transmission costs.

Proposed Changes from IPR:

BPA reduced Agency Services costs by roughly 2 percent for FY 2009 and by roughly 7 percent for FY 2010-2011. Power Services costs are also reduced by approximately 7 percent in 2010-2011. Organizations in Agency Services have planned to:

- Re-prioritize work
- Cut non-time-critical projects
- Reduce both replacing Bonneville staff and adding contract staff
- Reduce training and travel
- Eliminate awards for the remainder of FY 2009 and planned spending for Team Share and Success Share awards in FY 2010 and 2011
- Reduce the forecast of annual pay increases for FY 2010-2011 from 3.5 percent to 2 percent in FY 2010 and 2.25 percent in FY 2011 due to lower inflation rates (actual increases will be determined at the national level)

Note that decreases to Agency Services costs are passed on to Power and Transmission rates through allocations, based on the nature of the agency services activities. In many areas the larger proportion goes to Transmission.

Power Services reduced its internal operating costs by roughly \$1.5 million or 3.5 percent in FY 2009. Reductions in FY 2010 are \$3.9 million and \$4.5 million for FY 2011. Some of the actions taken to achieve this reduction are:

- Reduced planned staffing for Regional Dialogue implementation through power scheduling process efficiencies and expectations of reduced BPA and customer resource acquisition
- Reduced contract support for Residential Exchange Program and other programs
- Reduced travel
- Agency-level decisions to reduce planned awards and to use lower forecast of increases to pay rates, due to lower inflation rates.
- Change in Post-Retirement Contribution forecast of expenses updated to reflect changes in the forecasted staff levels, slower employee retirements and a slower rate of growth of health care costs than previously forecasted.

Changes to FY 2009

The reduction to Agency Services FY 2009 costs is \$9.9 million or 4.3 percent from the start-of-year budget. Power Services reduction for 2009 is \$1.5 million or 3.5 percent.

Draft Decision: While BPA believes internal costs established in the IPR process were the appropriate levels to accomplish the Agency's mission, the Agency will reduce the FY 2009 and FY 2010-2011 forecasts of internal costs in order to minimize an increase in power rates. Planned reductions beyond the levels proposed here would seriously jeopardize the ability to support key Agency initiatives.

SECTION 3: POWER SERVICES COSTS, OTHER THAN INTERNAL

A. ENERGY NORTHWEST – COLUMBIA GENERATING STATION

BPA pays the costs of Energy Northwest's Columbia Generating Station (CGS) nuclear power plant. Energy Northwest (EN) has continued to focus on mitigating equipment obsolescence, maintaining reliability and improving plant performance. EN management believes additional investments are necessary to maintain or improve safety, reliability and performance. The plant's performance indicators have been low when measured against criteria set by the Institute of Nuclear Power Operations (INPO), but capacity factors have been good

Proposed Changes:

- Due to favorable uranium market conditions, EN made uranium purchases in FY 2009, reducing costs in FY 2010-2011. This reduces forecasted O&M costs 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 and will produce \$12.0M in revenue that will offset O&M funding needs for CGS.
- Uranium purchases in EN FY 2011 and 2012 will be reduced by \$11.0 million to achieve the \$11.8 million commitment. The purchases have been deferred to future fiscal years.
- An error in the original IPR forecasts was corrected which increases the forecast by \$4.7 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 forecasts. This reduces forecasted O&M costs by \$3.9 million over the rate period.
- Nuclear Electric Insurance Limited (NEIL) insurance expense is expected to increase by \$1.7 million over the rate period due to reduced member distributions from NEIL that in the past were used to reduce the gross insurance premiums. The member 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 \$0.9 million over the rate period to achieve the \$11.8M. Reductions will be made in travel, training, employee awards, the regional communications plan, and vehicle purchases.
- Other changes to O&M that both increased and reduced CGS funding needs result in the \$1.0 million reduction.

Draft Decision: Forecasted spending levels will be reduced by \$11 million for FY 2010 and \$39.6 million for FY 2011.

B. CORPS AND RECLAMATION O&M

BPA works with the U.S. Army Corps of Engineers and the Bureau of Reclamation to implement funding for both operations and maintenance (O&M) activities at 31 hydro electric facilities throughout the Northwest and to ensure implementation of all regionally cost-effective system refurbishments and enhancements.

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	191,310	192,933	(1,690)	(4,978)
Potential Reduction 1/	-	-	(750)	(500)	(750)	(500)
Total Corps	193,000	197,911	190,560	192,433	(2,440)	(5,478)
Bureau of Reclamation	87,700	98,550	85,948	94,610	(1,752)	(3,940)
Potential Reduction 1/	-	-	(580)	-	(580)	-
Total 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)

1/ Potential Reductions are still being considered by the Corps of Engineers and the Bureau of Reclamation, the figures provided are preliminary estimates

Proposed Changes:

- The Corp and Reclamation have reduced the routine or base program funding by limiting travel and training, reducing materials and supplies purchases, and instituting limited hiring freezes. The Corps reduced its base program by \$1 million in FY 2009, \$2 million in FY 2010, and \$2 million in FY 2011. Reclamation reduced its base program in FY 2009 by \$245 thousand, and by \$940 thousand in FY 2010. In addition to the actions already noted, Reclamation made additional reductions by deferring replacement maintenance at the Roza, Chandler and Green Springs powerplants.
- Reductions were made in funding for Willamette BiOp Studies by the Corps. Since the study plan for the Willamette BiOp is still being developed, the Corps has reduced the forecasted expenses associated with it until refined estimates associated with a more detailed development schedule are developed, and decisions on costing of the studies are made. Reductions total \$4.5 million for the FY 2009-2011 period. Note, the Corps may need additional funding if studies occur and are expensed in future years.
- Reductions in non-routine extraordinary maintenance funding have been made for both the Corps and Reclamation O&M programs. The Corps has incorporated the high priority American Recovery and Reinvestment Act joint non routine maintenance items (mostly spillway gates) into the budget as noted in the April 9 IPR2 meeting, and reduced or deferred power non routine maintenance to stay within program levels. Reclamation's reduced funding level does not include non routine maintenance funding for repairing significant forced outages, particularly associated with the big units in the third powerhouse. This level of reduced funding may require the Corps and Reclamation to request additional funding in the future, depending on the frequency and severity of additional unit forced outages.

Draft Decision: Forecasted spending levels for the Corps of Engineers and Bureau of Reclamation will be reduced \$3.4 million for FY 2010 and \$8.9 million for FY 2011, with the potential for additional reductions still under discussion.

C. LONG-TERM GENERATING PROGRAM

This program consists of BPA's long-term acquisition contracts for output from generating resources such as Cowlitz Falls, Billing Credits Generation, Wauna Co-generation project, Elwah Dam, Idaho Falls Bulb Turbine, and Clearwater Hatchery Generation. Most of the expenses associated with the long-term generating projects are based on energy production at the generating units and, therefore, are offset by revenues. There is little opportunity for improvement because prices are fixed by contract.

Proposed Changes: Revised analysis in the WP-10 rate case have resulted in the following changes:

- Cowlitz Falls (including New Resources Integrated Wheeling) - \$460,009 increase in FY 2010 and \$391,562 increase in FY 2011.
- Idaho Falls - \$1.68 million decrease in both FY 2010 and FY 2011.
- Wauna Falls CoGen- \$286,943 decrease in FY 2010 and \$330,891 decrease in FY 2011.

Draft Decision: Revised analysis in the Power rate case resulted in slight adjustments to the forecasted costs of three resources.

D. ENERGY EFFICIENCY & CONSERVATION

BPA's Energy Efficiency and Conservation program is designed to capture the anticipated 35 to 40 percent increase in public power's share of the region's conservation target in the FY 2010-2011 period (i.e., 70 average megawatts per year).

Proposed Changes:

- Northwest Energy Efficiency Alliance Taskforce (NEEA/NEET) revised business plan calls for increased funding to support its efforts. BPA currently funds about 50 percent of NEEA's \$20 million per year budget which expires September 30, 2009. BPA's share of the total NEEA budget will be reduced to an estimated 37 percent in FY 2010, but overall, NEEA's budget will increase to \$40 million per year. Although BPA has not endorsed the revised business plan, the IPR2 proposal would assume an increase of \$3 million per year.
- Conservation Rate Credit reduced by \$4 million in FY 2010 and \$2.5 million in FY 2011. This is a correction to reflect the actual CRC. The CRC is a calculation of 0.5 mill times load for both Conservation and Renewable Resources. Since the Renewable Resources credit was increased by \$4 million and \$2.5 million in FY 2010 and FY 2011, the conservation credit should have been reduced by the same amount.

Draft Decision: Forecasted spending levels will be reduced by \$1 million for FY 2010 and increased \$0.5 million for FY 2011.

E. FISH AND WILDLIFE DIRECT PROGRAM

BPA expends ratepayer revenues in the implementation of measures addressed to the recovery of Columbia River fish listed as threatened or endangered under the Endangered Species Act (ESA) and to the mitigation of impacts to fish and wildlife from the development and operation of the Federal Columbia River Pool System. This dual mitigation and recovery responsibility requires a comprehensive approach to implementing the Direct Fish and Wildlife Program (Direct Program) that integrates the ESA requirements of the FCRPS biological opinions from the U.S. Fish and Wildlife Service and National Oceanic and Atmospheric Administration (NOAA) Fisheries with the broad resource protection, mitigation and enhancement objectives of the *Columbia Basin Fish and Wildlife Program* adopted pursuant to the Northwest Power Act.

BPA meets these complementary fish and wildlife mitigation and recovery objectives in the Direct Program primarily through the negotiation and award of contracts to state, federal, and tribal entities.

Proposed Changes: In recognition of the fact that the efforts associated with the Fish Accords are taking longer to ramp up than was anticipated, 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.

Draft Decision: Forecasted spending levels will be reduced \$15 million for FY 2009 and FY 2010.

F. U.S. FISH AND WILDLIFE SERVICE: LOWER SNAKE RIVER FISH & WILDLIFE COMPENSATION PLAN

This program funds 11 hatcheries and 15 satellite facilities owned and operated by the U.S. Fish and Wildlife Service (FWS); the fisheries agencies of the states of Oregon, Washington, and Idaho; and the Nez Perce, Shoshone-Bannock, and the Confederated Tribes of the Umatilla. This program is legislatively mandated to mitigate for the existence and operation of the four lower Snake River hydroelectric dams constructed in the 1970s.

Proposed Changes: None

Draft Decision: No Change

G. RENEWABLE RESOURCES

BPA's goal for renewable resources is to ensure the development of its share of cost-effective regional renewable resources at the least possible cost to BPA ratepayers. BPA's share will be based on the regional load growth (about 40 percent) of its public utility customers. BPA will cover its share through power acquired by BPA from renewable resources to serve its public

customers and/or renewable resources acquired by publics with or without financial assistance by BPA.

Proposed Change: None

Draft Decision: No Change

H. DEBT MANAGEMENT

Debt management issues are not decided in the IPR. BPA’s development of assumptions and decisions on debt management are rate case issues and will be discussed in that forum. However, levels of new capital investment are an important driver of the capital recovery costs in the rate case, and new capital spending is within the scope of the IPR, as discussed above, BPA believes it is important to show the impact of past and future debt management decisions in the IPR since they impact power rates. This draft decisions report is intended to portray BPA’s current thinking on these issues; it does not make any decisions associated with debt management issues other than new capital spending levels.

The capital-related costs in the March 18 IPR2 material is the most current forecast. The final rate proposal will include repayment studies updated for 2nd Quarter forecasts of 2009 capital investment and actual 2009 investment to date. The interest rate forecast used in the forecast of capital-related costs has been updated and will be reflected in final studies.

SECTION 4: TRANSMISSION

A. TRANSMISSION AGENCY SERVICES RE-ALLOCATION AND POST-RETIREMENT CONTRIBUTION

	IPR		April 23 Draft IPR2 Decisions		Change	
	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011
\$ in thousands						
Transmission						
Agency Services Re-Allocation (3/18/09)	58,900	58,900	50,100	50,000	(8,800)	(8,900)
Post-Retirement Contribution	15,598	16,071	15,447	15,579	(151)	(492)
Total	74,498	74,971	65,547	65,579	(8,951)	(9,392)

Proposed Changes:

- Due to a review of Agency Services allocations, \$8.8 million of forecasted spending has been allocated to capital instead of expense in FY 2010 and FY 2011.
- Change in Post-Retirement Contribution forecast of expenses updated to reflect changes in forecasted BFTE levels, slower CSRS employee retirements and a slower rate of growth of health care costs than previously forecasted.

Draft Decision: Forecasted spending levels for Agency Services and Post-Retirement Contribution will be reduced by \$8.9 million for FY 2010 and \$9.4 million for FY 2011.

B. TRANSMISSION INTERNAL OPERATION REDUCTIONS TO AGENCY SERVICES & TRANSMISSION

	IPR		April 23 Draft IPR2 Decisions		Change	
	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011
\$ in thousands						
Transmission						
Internal Operation Reductions (Agency Services & Transmission)	-	-	(5,100)	(6,400)	(5,100)	(6,400)

Proposed Changes:

- An additional reduction to Agency Services and Transmission reflects the impact of IPR2 revised estimates, award reductions and reduced COLA assumptions.
- As described in Section 3, the final rate proposal will include updated 2009 actuals and forecast.

Draft Decision: Forecasted spending levels for Internal Operation Reductions (Agency Services and Transmission) will be reduced by \$5.1 million for FY 2010 and \$6.4 million for FY 2011.

C. ALL OTHER TRANSMISSION COSTS

Proposed Changes: None

Draft Decision: No Change