



Bonneville Power Administration

Integrated Program Review (IPR) BPA's Agency Services Costs

May 20, 2008



Agenda

- Introduction & Welcome
- Overview of Agency Services
 - Organizational Structure
- Cost Recovery from Rates
 - Allocation Methodology
 - Cost Pools
- Main Cost Drivers for Agency Services Organizations
- Agency Services Organizations
 - Functional Overview
 - FY 2009-2011 Spending Estimates
- Workshop Schedule, Financial Disclosure & Comment Process



Objectives

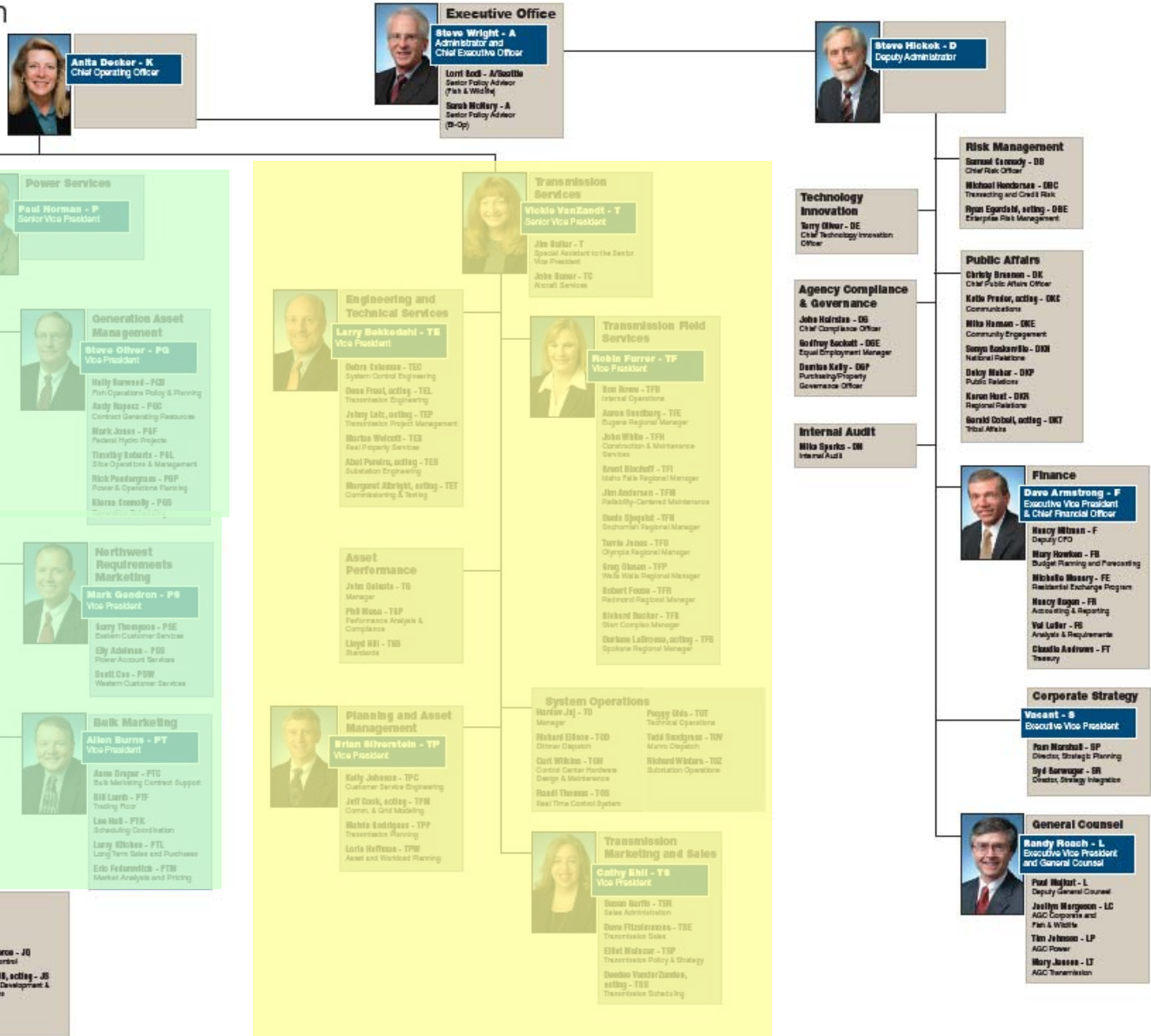
- Promote better understanding of BPA Agency Services organizations – who they are, what they do, their historic and projected costs, and how their costs are recovered through Power and Transmission rates.
- Describe how General & Administrative (G&A) and Project Support functions and costs are managed at BPA – Allocations and direct charges.
- Outline principal cost drivers for Agency Services Costs – How Agency Services Costs are impacted by programs and activities in Power and Transmission Services.



Who We Are and How We Are Organized

Bonneville Power Administration Organizational Chart

May 2008





Agency Services G&A Cost and Allocation Methodologies

Guiding Principles

- Methodologies are equitable and fair
- Methodologies represent a causal relationship to the services provided
- Methodologies are justifiable in a rate setting environment
- Methodologies are affirmed by internal and external auditors
- Methodologies can be implemented and are cost effective
- Methodologies are direct and simple – improving understanding and transparency



Overview of Allocation Methodologies

Even Distributions - Traditional General and Administrative Costs: Cost pools that serve the general purpose of agency support functions (split 50/50 to power and transmission rates)

- No consistent, measurable method of assigning support costs directly to the benefactor
- Functions are general in nature and are not directly affected by changes in traditional cost drivers (i.e. FTE levels, budget levels, etc.)
- Collection of costs or measurement of driver is cost prohibitive – it is uneconomical to attempt more precise allocations
- Lack of causal relationship to benefactors prevents a clear distinction for assigning those costs



Bonneville Cost Allocations

Even Distribution:

- **Executive Office**
 - Allocation base – Even Allocation – 50% Power, 50% Trans.
- **Finance**
 - Allocation base – Even Allocation – 50% Power, 50% Trans.
- **Legal**
 - Allocation base – Even Allocation – 50% Power, 50% Trans.
- **G&A IT Administration** – Executive administration of Agency-wide IT
 - Allocation base – Even Allocation – 50% Power, 50% Trans.
- **IT Cross Agency Projects** – Expense costs of cross agency IT capital projects
 - Allocation base – Even Allocation – 50% Power, 50% Trans.
- **Strategy Integration**
 - Allocation base – Even Allocation – 50% Power, 50% Trans.
- **Billing and Metering**
 - Allocation base - Even Allocation – 50% Power, 50% Trans.
- **Technology Innovation**
 - Allocation base - Even Allocation – 50% Power, 50% Trans.



Overview of Allocation Methodologies

Directed Allocation Pools: Cost pools that can be distributed with more precision, based on specific cost drivers (split other than 50/50 to power and transmission rates)

- Activities are managed and budgeted centrally, but methods exist to assign costs to benefactors
- Functions can be linked to cost drivers and can change based on those drivers
- Direction-of-effort studies or other means can be used to allocate in a cost-effective manner



Bonneville Internal Support Cost Allocations

Directed Allocation:

- **Safety Allocation** – Administering safety program, safety training, accident investigation, etc.
 - Allocation base – Direction of Effort – FTE – 11% Power, 89% Trans.
- **Security Allocation** – Building security, emergency services, crime witness program
 - Allocation base – Direction of Effort – FTE – 22.4% Power, 76.6% Trans., 1% EF&W
- **Risk Management** – Risk analysis and management services for both power & Trans.
 - Allocation base – Direction of Effort – 70% Power, 30% Trans.
- **G&A IT Infrastructure** – Desktop support, Server Support, Telecom, etc.
 - Allocation base – Direction of Effort – 33.6% Power, 65.4% Trans., 1% EF&W
- **G&A BES Allocation** – Business Enterprise Solution, Bonneville’s Enterprise Resources Planning System
 - Allocation base – Direction of Effort – analysis of use – 30% to Power and 70% to Trans.
- **G&A Dedicated IT Projects** – Direct support of business unit specific IT projects
 - Allocation base – Project specific work-orders – 100% Power, 100% Trans.
- **Contracting and Forecasting Services** – Contracting and forecasting services
 - Allocation base – Direction of Effort – 58.3% Power, 41.7% Trans.



Bonneville Internal Support Cost Allocations

Directed Allocation:

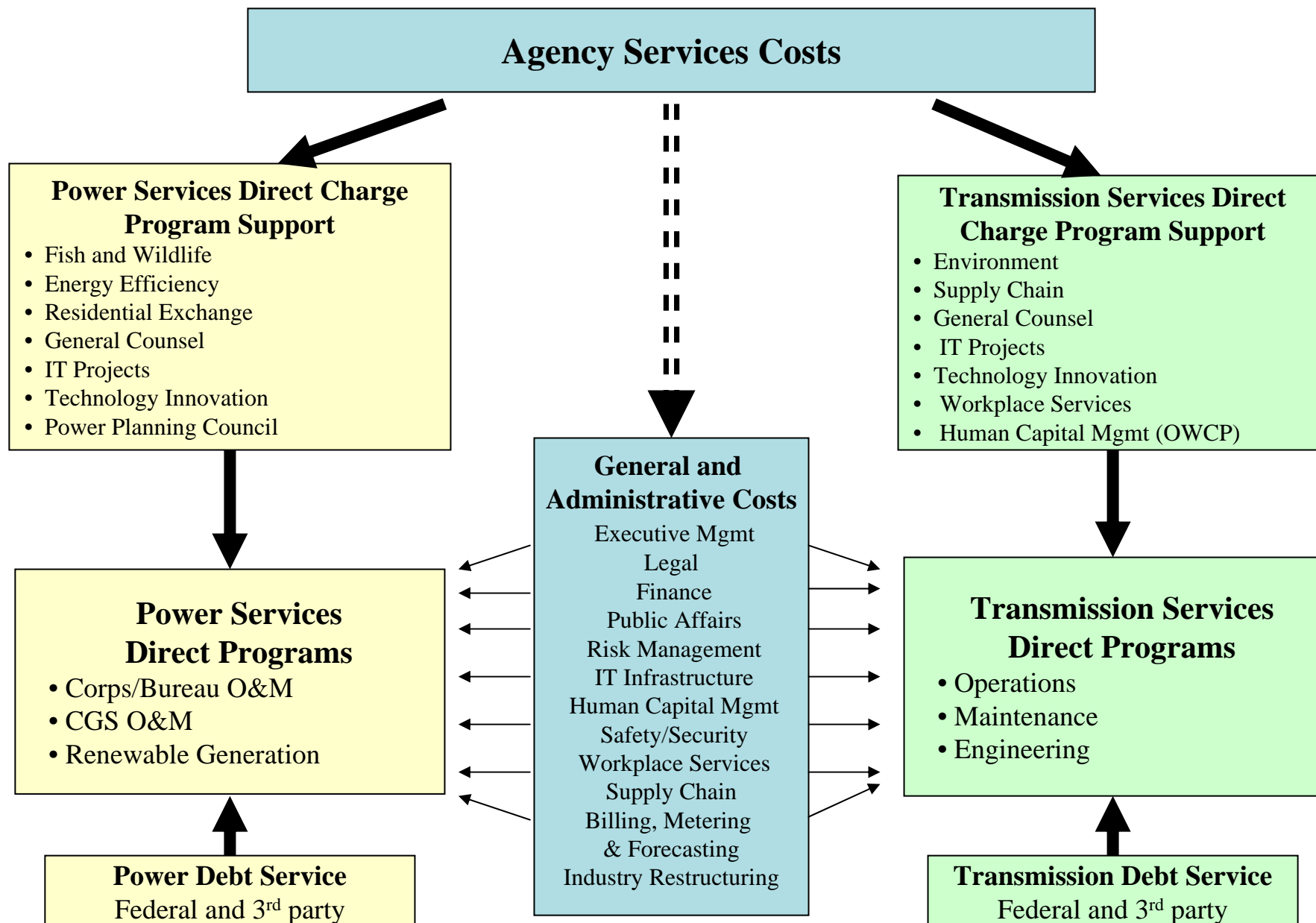
- **Aircraft Services** – Fixed wing aircraft usage
 - Allocation base – Direction of Effort – 35% Power, 36% Trans, 29% to Trans. Services capital indirect
- **Human Capital Management** – Personnel services and library services
 - Allocation base – Direction of Effort – 21.6% Power, 76.6% Trans., 1.8% EF&W
- **Public Affairs** – Public affairs and communication
 - Allocation base – Direction of Effort – 45% Power, 50% Trans., 5% to EF&W
- **Workplace Services** – Buildings management and facility support
 - Allocation base – Direction of Effort – 38.8% Power, 57.6% Trans., 3.6% EF&W
- **Supply Chain Administration** –
 - Allocation base – Direction of Effort – 13.4% Power, 86.6% Trans.
- **Supply Chain Purchasing** – Purchasing Function – Two part allocation
 - Allocation base – Direction of Effort – 29.8% Power, 25.2% Trans., 37% EF&W, 8% EE



Agency Services Overview



Agency Services Cost Distribution





Agency Services

Reorganization and EPIP

Reorganization

- As part of an Agency-wide reorganization at the start of FY 2006, the offices of Energy Efficiency and Environment, Fish and Wildlife were moved to Agency Services.
- This organizational shift, along with the associated spending estimates, should be considered when reviewing cost trends for Agency Services.
- Agency Services costs in FY 2006 reflect this reorganization, and significant portion of the increases seen in FY 2006 are due to the reorganization.

EPIP Results

- Many of the EPIP savings have been achieved in Agency Services:
 - Human Capital Management
 - Information Technology
 - Public Affairs
- Several of the EPIPs also recommended process improvements that resulted in the consolidation of many functions out of the Business Units and into Agency Services:
 - Supply Chain
 - Metering and Billing
 - Load Forecasting
 - Contract Administration



EPIP Status

Project	Percent Complete	Cost Savings to date* (in millions)
Energy Efficiency (expense)	100%	\$1.3
Public Affairs (expense)	100%	\$5.2
Transmission O&M	50%	optimized spending & asset performance
Transmission Plan, Design, Build (capital)	60%	\$26.2
Asset Management	60%	optimized spending & asset performance
Information Technology (≈75% expense, 25% capital)	50%	\$68.8
Human Capital Management (expense)	25%	\$5.7
Supply Chain (expense)	40%	\$2.2
Marketing and Sales (expense)	60%	\$3.0
Total		\$112.4

*Through FY'07, capital and expense



EPIP Project Status (as of FY 2007)

EPIP	Complete	Achievements	In progress	Savings to date
Energy Efficiency (efficiency)	100% Closed	<ul style="list-style-type: none"> ▪ Reorganized to align lines of responsibility and authority ▪ Standardized processes across East and West ▪ Automated contract management ▪ Reduced staff through attrition 	<i>Closed</i>	\$1.3M
Public Affairs (efficiency)	100% Closed	<ul style="list-style-type: none"> ▪ Consolidated and reorganized ▪ Established standard operating procedures ▪ Improved training and skill levels 	<i>Closed</i>	\$5.2M
Operations and Maintenance (reliability, cost mgmt, productivity)	50% June 08	<ul style="list-style-type: none"> ▪ Developing data driven system-wide view ▪ Optimization of system work and diagnostic tools 	<ul style="list-style-type: none"> ▪ Transmission Asset System (TAS) & Work Planning and Scheduling System (WPSS) technical requirements completion tbd. ▪ Implementation of enhanced field connectivity ▪ Reorganization 	optimized spending & asset performance



EPIP Project Status (cont.)

EPIP	Complete	Impact	In Progress	Savings to date
Plan Design Build (reliability, standardization & cost mgmt)	60% Dec 08	<ul style="list-style-type: none"> ▪ Standards team formed: 230 kV towers, 115 kV wood pole structure completed ▪ Planning/risk analysis template ▪ Root cause analysis process ▪ Electronic geospatial information system moving to implementation phase 	<ul style="list-style-type: none"> ▪ Two Year Work Plan ▪ Additional construction and specification standards ▪ Interim process until automated scheduling is implemented 	\$26.2M
Asset Management (prioritization, cost mgmt & reliability)	60% Dec 08	<ul style="list-style-type: none"> ▪ Agency Asset Management Strategy completed ▪ Agency capital project valuation and approval process implemented ▪ Cross Agency coordination to rationalize data/technology system 	<ul style="list-style-type: none"> ▪ Asset condition data warehouse ▪ Foundation for full optimization of long-term expenditures for high value asset categories 	optimized spending & asset performance
Information Technology (improve systems & productivity)	50% Jan 09	<ul style="list-style-type: none"> ▪ Continued consolidation and centralization of IT ▪ Reduction of workstations (17%) ▪ Implementation of 'virtual servers' ▪ Agency prioritization for IT initiatives 	<ul style="list-style-type: none"> ▪ Finalize Agency Information Technology Strategy ▪ Establish IT service delivery model ▪ Optimize IT project management 	\$68.8M



EPIP Project Status (cont.)

EPIP	Complete	Impact	In Progress	Savings to date
Human Capital Management (improve systems & productivity)	25% Oct 09	<ul style="list-style-type: none"> ▪ Completed Workforce Planning process 	<ul style="list-style-type: none"> ▪ Service delivery model ▪ HR Admin workflow System ▪ Knowledge mgmt ▪ HR Service Center 	\$5.7M
Supply Chain (reliability, processes & cost mgmt)	40% Dec 2010	<ul style="list-style-type: none"> ▪ Emphasis on strategic sourcing and spend mgmt - strategic sourcing of construction and maintenance, repair and operating supplies ▪ Establishing policies for optimal inventory levels ▪ Finalizing an e-commerce strategy ▪ Supplemental Labor Mgmt Plan 	<ul style="list-style-type: none"> ▪ Institutionalizing strategic sourcing practices and policies ▪ Manage to optimal inventory ▪ Material management/e-commerce system capability 	\$2.2M
Marketing and Sales (efficiency, compliance & standardization)	60% Dec 2009	<ul style="list-style-type: none"> ▪ Establish Front-Middle-Back office functions within Standard of Conduct guidelines ▪ Establish Customer Account Teams ▪ Standardize agency contract provisions 	<ul style="list-style-type: none"> ▪ Complete Front-Middle-Back Office implementation ▪ Standard contracts and quality assurance plans in place for existing contracts ▪ Continued training and compliance reviews ▪ Customer contract systems 	\$3.0M



Agency Service Expenses

Actuals FY 2006-2007 & Proposed FY 2009-2011

Expenses - Direct & Allocated	Actuals		SOY	IPR		
Agency Services	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Executive Office	882	995	1,026	1,069	1,114	1,161
Deputy Administrator	806	252	268	279	289	301
Chief Risk Officer	4,246	4,105	5,867	5,871	6,581	6,798
Technology Innovation & Confirmation	462	1,633	9,592	9,916	11,990	14,134
Chief Public Affairs Office	16,369	15,051	16,373	17,439	18,064	18,589
Internal Audit	1,629	1,763	2,163	2,384	2,354	2,355
Finance	10,233	12,558	15,754	15,224	17,265	16,734
Corporate Strategy	n/a	269	1,341	303	317	331
Supply Chain Policy & Gov.	639	546	640	667	696	726
Regulatory Affairs	n/a	1,576	1,774	2,327	2,426	2,530
Strategic Planning	975	1,533	1,629	1,913	2,076	2,143
Strategy Integration	3,192	3,352	6,876	7,604	7,876	8,340
Security & Emergency Mgmt	6,028	6,388	7,285	7,404	7,455	7,657
General Counsel	7,524	7,993	9,251	9,514	9,643	9,968
Chief Operating Officer	10,303	4,606	5,803	3,507	3,531	1,556
Customer Support Services	n/a	7,172	8,690	9,776	10,498	10,687
Internal Business Services	578	520	557	576	595	2,149
Business and Process Mgmt	n/a	n/a	n/a	n/a	406	410
Civil Rights	739	606	694	725	758	792
Safety	1,789	2,026	2,283	2,314	2,393	2,497
Human Capital Management	15,921	15,163	18,002	16,228	16,843	16,336
Supply Chain Services	16,526	15,931	17,715	18,315	21,120	20,887
Workplace Services	26,872	26,379	26,307	32,508	44,806	47,261
Information Technology	58,291	57,840	58,310	58,313	68,381	68,000
Total	184,003	188,260	218,199	224,175	257,480	262,340
Total Increase/Decrease (\$ amount)		4,257	29,939	5,976	33,305	4,860



Agency Service Capital

Actuals FY 2006-2007 & Proposed FY 2009-2013

Capital \$ in thousands Agency Services	Actuals		SOY	IPR				
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Security & Emergency Mgmt	75	454	571	4,989	5,102	5,814	5,948	6,005
General Counsel	47	108	136	142	148	155	160	166
Workplace Services	617	3,030	3,353	15,487	60,804	23,641	23,758	23,877
Information Technology	16,145	16,446	19,000	19,000	21,375	21,375	21,375	21,375
Total	16,883	20,038	23,060	39,619	87,429	50,985	51,242	51,423
Total Increase/Decrease (\$ amount)		3,155	3,022	16,558	47,811	(36,444)	256	181



Main Cost Drivers in Support of Power and Transmission

Power and Transmission programs and projects are significant drivers of Agency Services costs. Growth in existing programs and/or new initiatives result in increased demand for Agency Services supporting activities. Below is a list of the most significant power and transmission program changes and their impacts on Agency Services:

- **Higher Transmission investments to integrate new resources, meet increased demand and preserve system reliability:**
 - **Supply Chain:** increased purchasing activity, handling and warehousing of materials, and additional contracting officers
 - **Finance:** increased financing activities and accounting oversight, including third-party financing vehicles such as Master Lease
 - **Information Technology:** additional automation requirements in support of Master Lease
 - **Legal:** additional legal support for land and right-of-way, environmental compliance, contracts and litigation support
 - **Human Capital Management:** increased recruitment, retention and training/development needs for succession planning and closing skill gaps
- **Higher maintenance and operations costs for both transmission electric and non-electric assets:**
 - **Supply Chain:** same increases required by increased transmission investment
 - **Workplace Services:** increased funding to address deferred maintenance and repair of non-electric plant.



Main Cost Drivers in Support of Power and Transmission (cont.)

- **New mandatory regulatory/control requirements, including system reliability, environmental protection and service tariffs:**
 - **Customer Services:** new and increased metering and billing activities, as well as demand and supply forecasting (e.g. WREGIS, new products and rate methodology under Regional Dialogue)
 - **Legal:** additional legal support for rate setting, contracts, environmental compliance and reliability requirements
 - **Finance:** implementation of Sarbanes-Oxley type (OMB order A-123) regulatory controls and reporting
 - **Information Technology:** additional support to ensure compliance with OMB A-123, FERC, and FISMA regulations
 - **Regulatory Services:** increased support for standards-of-conduct and other regulatory requirements
 - **Environment, Fish & Wildlife:** Increased pollution abatement and environmental review and oversight
 - **Internal Audit:** increased audit support for new regulatory/control processes and systems
- **Completion and Implementation of the Regional Dialogue business model:**
 - **Finance:** Financial review and oversight of long-term contracts and Tier 2 product offerings, support of rate proceedings
 - **Customer Services:** implementation of new contracts (increased complexity, more annual updates and product changes) metering and billing activities (new Tiered rates) and Load Forecasts (increased demand and supply forecasting to meet customer needs).
 - **Legal:** support for contracting, rate-setting, and litigation defense



Main Cost Drivers in Support of Power and Transmission (cont.)

- **Increasing Environmental Obligations:**
 - **Corporate Strategy:** increased efforts to anticipate and plan for global warming, changes in the industry, higher reliance on alternative energy sources and distribution systems
 - **Supply Chain:** increased contracting support for larger Fish & Wildlife program
 - **Legal:** increased legal support for Endangered Species Act mitigation, for fish and wildlife contracting and land acquisition, and environmental impact statement and reviews.
 - **Environment, Fish & Wildlife:** Significant increase in funding for F&W protection and restorations and Endangered Species Act mitigation.



Main Cost Drivers in Support of Agency-Wide Efforts

- **Business Continuity:**
 - **Risk:** management of an agency wide business continuity program responsible for coordination of emergency management and continuity of operations planning, including developing and overseeing implementation of system and procedural recommendations
 - **Information Technology:** system changes and upgrades to provide for continuance of operations under adverse conditions
 - **Workplace Services:** modifications to existing facilities and provision of new facilities to improve resistance to natural (i.e. seismic, weather, etc.) and other threats to operation.
- **Increased System Security and Resistance to Outside threats:**
 - **Security:** compliance with new and existing Federal anti-terrorism requirements. Upgrading security systems and BPA facilities to deter vandalism, theft, and workforce protection
 - **Information Technology:** assuring BPA IT systems are protected against hacking and malicious intrusions.



Appendix – Agency Services Organizations and Spending Estimates



Agency Service Expenses Allocated Actuals FY 2006-2007 & Proposed FY 2009-2011

Allocated Expenses \$ in thousands	Actuals		SOY	IPR		
Agency Services	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Executive Office	882	995	1,026	1,069	1,114	1,161
Deputy Administrator	806	252	268	279	289	301
Chief Risk Officer	2,815	2,899	4,049	3,989	4,633	4,781
Technology Innovation & Confirmation	462	1,012	1,936	1,681	2,073	2,075
Public Affairs	7,858	6,661	7,607	7,989	8,423	8,751
Internal Audit	1,629	1,763	2,163	2,384	2,354	2,355
Finance	10,233	11,680	12,933	13,242	13,976	14,392
Corporate Strategy	n/a	269	1,341	303	317	331
Supply Chain Policy & Gov.	639	546	640	667	696	726
Regulatory Affairs	n/a	1,576	1,774	2,327	2,426	2,530
Strategic Planning	975	1,533	1,629	1,913	2,076	2,143
Strategy Integration	3,192	3,352	6,876	7,604	7,876	8,340
Security & Emergency Mgmt	6,028	6,388	7,285	7,404	7,455	7,657
General Counsel	2,390	2,728	2,812	2,743	2,810	2,905
Chief Operating Officer	10,303	4,606	5,803	3,507	3,531	1,556
Customer Support Services	n/a	7,172	8,690	9,776	10,498	10,687
Internal Business Services	578	520	557	576	595	2,149
Business and Process Mgmt	n/a	n/a	n/a	n/a	406	410
Civil Rights	739	606	694	725	758	792
Safety	1,789	2,026	2,283	2,314	2,393	2,497
Human Capital Management	12,526	11,540	13,802	12,603	13,092	12,453
Supply Chain Services	n/a	3,252	3,649	4,119	4,627	4,824
Workplace Services	24,006	23,590	23,059	23,488	24,142	24,798
Information Technology	58,291	57,840	58,310	58,313	68,381	68,000
Total	146,142	152,809	169,183	169,013	184,943	186,613
Total Increase/Decrease (\$ amount)		6,667	16,374	(170)	15,931	1,669



Agency Service Expenses – Direct Charge

Actuals FY 2006-2007 & Proposed FY 2009-2011

\$ In Thousands

Power Direct Charge Expenses	Actuals		SOY	IPR		
Agency Services	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Chief Risk Officer	1,285	1,079	1,631	1,688	1,748	1,809
Technology Innovation & Confirmation	n/a	621	2,220	3,810	4,833	6,092
Public Affairs	8,510	8,390	9,266	9,450	9,641	9,838
Finance	n/a	518	2,434	1,607	2,901	1,941
General Counsel	3,420	3,288	3,925	3,919	3,905	4,036
Total	13,215	13,897	19,476	20,475	23,027	23,714
Total Increase/Decrease		681	5,580	998	2,553	687

\$ In Thousands

Transmission Direct Charge Expenses	Actuals		SOY	IPR		
Agency Services	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Chief Risk Officer	146	127	187	194	201	208
Technology Innovation & Confirmation	n/a	n/a	5,436	4,425	5,084	5,967
Finance	n/a	360	386	375	388	402
General Counsel	1,714	1,977	2,515	2,852	2,928	3,027
Human Capital Management	3,395	3,623	4,200	3,625	3,752	3,883
Supply Chain Services	16,526	12,678	14,066	14,196	16,492	16,063
Workplace Services	2,865	2,787	3,248	9,020	20,664	22,463
Total	24,646	21,552	30,039	34,687	49,509	52,013
Total Increase/Decrease		(3,094)	8,487	4,648	14,822	2,504



Executive Offices

\$ In Thousands	Actuals		SOY	IPR		
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Program Level Spending	11,991	5,854	7,097	4,854	4,935	3,017
Increase/Decrease (\$ Amount)		(6,138)	1,243	(2,242)	81	(1,918)

Note: Includes the Administrator, Deputy Administrator, and Chief Operating Officer groups

Program Background: The Administrator (CEO) provides overall leadership and direction in the planning, development, and administration of policies that pertain to the operation of a large public utility. The CEO interacts at the highest levels with key customers and Government, business, and interest group leaders. The CEO represents Bonneville Power Administration policies and strategies to the congressional delegation and other high-ranking Government officials. The CEO provides leadership on overall business strategic objectives and ensures that BPA responsibilities established by statutes and directives are carried out, including those pertaining to environment, safety, and health considerations. The CEO provides general leadership on overall business strategic objectives, as well as, decisions that impact those strategic objectives.

The Deputy Administrator and the Chief Operating Officer serve as Bonneville executive and policy advisors to the CEO, and are Shared Senior Officers under Federal Energy Regulatory Commission (FERC) Standards of Conduct (SOC) rules. The Deputy Administrator is responsible for leadership, planning, governance, financial management, legal and regulatory affairs, risk management, and public affairs. The Chief Operating Officer provides direction and guidance for program execution and administration to the Senior Vice Presidents of Power Services and Transmission Services, the Executive Vice President of Internal Business Services, the Vice Presidents of Energy Efficiency, and Environment, Fish and Wildlife, Security and the Manager of Customer Support Services.

Drivers of Change: The changes from FY 06 to FY 07 reflect treatment of agency award accruals in FY 06. The other changes are due to reductions in EPIP-support contracts.



Chief Risk Officer

\$ In Thousands	Actuals		SOY	IPR		
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Program Level Spending	4,246	4,105	5,867	5,871	6,581	6,798
Increase/Decrease (\$ Amount)		(141)	1,762	4	710	217

Program Background: The key responsibilities of Risk Management include: facilitating a risk-based approach to strategic planning in which BPA's tolerance for specific risks and overall risk management capability are key inputs to strategy development and execution planning; coordinating a robust and sustained Enterprise Risk Management (ERM) program to identify and appropriately address the broad range of risks to achievement of the agency's strategic objectives; monitoring and reporting on BPA's full range of risks, including commodity transacting risks; mitigating BPA's credit exposure in the event of counter-party default; and implementing a Business Continuity Management Program, including Emergency Management and Continuity of Operations planning.

Drivers of Change: FYs 2009-2011 spending estimates incorporate funds for the Business Continuity program, including contractor support.

Opportunities for Improvement: procurement of property insurance for significant transmission and generation assets



Technology Innovation & Confirmation

\$ In Thousands	Actuals		SOY	IPR		
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Program Level Spending	462	1,633	9,592	9,916	11,990	14,134
Increase/Decrease (\$ Amount)		1,171	7,959	324	2,074	2,143

Program Background: BPA’s Technology Innovation and Confirmation program started in FY 2005 with the majority of funds budgeted separately in Power and Transmission. The program is guided internally by a Technology Confirmation / Innovation Council consisting of experts and executives from across the agency. The Council helped create the structures and processes the program uses to manage BPA’s research. This structure includes centralized budgeted portfolio management, distributed research implementation, and technology roadmaps used to articulate a carefully defined R&D agenda focused on business challenges BPA faces.

Drivers of Change: BPA is facing a distinct set of business challenges that require technology innovation. Grid reliability – brittleness and operational constraints, next generation energy efficiency and demand management measures for continued development of the region’s least expensive resource, integrating wind and other intermittent renewable resources, and climate change. Each of these challenges is examined and technology innovation objectives identified through BPA’s technology roadmaps (located at www.bpa.gov/business/innovation). The magnitude of these challenges and benchmarking has supported increasing the spending for technology innovation over time to about 0.5% of revenues.

Opportunities for Improvement: Technology Innovation is routinely benchmarking against others in the electric utility industry and against similar technology challenged industries. In doing so we have found that the concept of R&D as a portfolio is best practice, that portfolio management (pruning, active project adjustments) are essential, and that R&D project management is a key discipline. The office is established as a locus of continuous improvement. Near term actions include establishing a project management maturity approach to increasing the effectiveness of project management, biannual portfolio reviews to adjust projects (including stopping them), and dealing more effectively with intellectual property.



Public Affairs

\$ In Thousands	Actuals		SOY	IPR		
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Program Level Spending	16,369	15,051	16,373	17,439	18,064	18,589
Increase/Decrease (\$ Amount)		(1,317)	1,322	1,066	625	525

Program Background: Public Affairs is responsible for developing a comprehensive public affairs strategy and managing the centralized support of the agency implementation of that strategy. This includes direction and support for national, regional, and tribal relations, media and internal and external communications. This function is responsible for fostering support, knowledge, and awareness of BPA’s activities, achievements, and value to the Pacific Northwest. Public Affairs is also responsible for ensuring that programs are in place to secure appropriate public input into BPA’s decision-making processes. Public Affairs has completed its EPIP review. As a result, they have consolidated and reorganized, established standard operating procedures and improved training and skill levels. Their estimate of savings is \$5.2 million.

Drivers of Change: Specific FY 2009-2011 initiatives include: (1) Increase Prominence and Key messaging in external publications by 10%; (2) Increase number of BPA press releases issued versus picked up by 10%; (3) Increase exposure of Agency financial health by 10 to 20%; (4) DK satisfaction survey overall satisfaction score is between 70 - 80%.

Opportunities for Improvement: Opportunities include: (1) Updating the external website; (2) Improving employee communications



Internal Audit

\$ In Thousands	Actuals		SOY	IPR		
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Program Level Spending	1,629	1,763	2,163	2,384	2,354	2,355
Increase/Decrease (\$ Amount)		134	400	221	30	1

Program Background:

Supports governance and serves BPA managers through audits, reviews, analyses, and other services.

Drivers of Change:

Accelerated succession efforts with pending retirements of key staff

New/expanded governance, risk management, and compliance activities require more, regularly-scheduled audit support

Forecast Risk:

If there are accelerated staff departures, there is increased risk of inability to find replacement candidates with critical skill sets.

If management changes or external factors required significantly more governance, risk management, and compliance activity that currently planned, it could demand audit support above projected levels.

Opportunities for Improvement:

The Audit and Internal Controls Committee needs to approve a charter for Internal Audit that establishes the program of cyclical, risk-based assurance reviews so that the base-load of value-added work can be scheduled with greater certainty, thereby achieving more efficient resource utilization.



Finance

\$ In Thousands	Actuals		SOY	IPR		
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Program Level Spending	10,233	12,558	15,754	15,224	17,265	16,734
Increase/Decrease (\$ Amount)		2,325	3,196	(529)	2,041	(530)

Program Background:

Implementation of Regional Dialogue contracts, re-establishment of Residential Exchange Program, implementation and management of Master Lease Program, implementation of new Treasury agreements.

Drivers of Change:

Re-establishment of Residential Exchange Program. Data structure work necessary for tiered rates methodology implementation and Master lease program implementation.

Forecast Risk:

Recruiting and retaining qualified accountants and financial analysts, Residential Exchange program costs may vary significantly from estimated costs.

Opportunities for Improvement:

- Recent re-organization may provide some efficiencies in work that was previously done in both business units and Finance
- Data structure redesign may provide additional opportunities to leverage existing financial systems.



Regulatory Affairs

\$ In Thousands	Actuals		SOY	IPR		
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Program Level Spending	n/a	1,576	1,774	2,327	2,426	2,530
Increase/Decrease (\$ Amount)		n/a	197	553	100	104

Program Background:

Maintains a comprehensive regulatory affairs program aligned to meet BPA mission and objectives through the overall coordination and management of systems and processes established to assure agency compliance with applicable regulatory rules and standards. Responsibilities include planning, development, and administration of programs, systems, and processes which are functionally critical for successful management and support of Bonneville's regulatory affairs.

Drivers of Change:

Complete Self audit and remediation plans for 2 high risk areas before end of fiscal year. Continue to maintain/foster relationships with Regulatory Bodies by maintaining/enhancing the relationships with WECC. Continued monitoring and oversight of FERC reliability compliance, SOC compliance and OATT compliance. Implementation of a GRC tool for agency compliance assurance, implementation of agency ethics program, continued management of governmental compliance program and internal controls.



Supply Chain Policy and Governance

\$ In Thousands

	Actuals		SOY	IPR		
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Program Level Spending	639	546	640	667	696	726
Increase/Decrease (\$ Amount)		(93)	94	28	29	30

Program Background:

Responsible for the planning, direction, oversight and management of comprehensive supply chain policy and governance aligned to meet BPA mission and objectives. Plans, develops, and administers programs, systems, and processes which are functionally critical for successful management and support of Bonneville's supply chain policy and governance. Provides oversight to BPA's acquisition and personal property operations to assure conformance with established law, regulations, policies, procedures, and good business practices.

Drivers of Change:

Complete a new compliance methodology that outlines how Supply Chain Policy and Governance will conduct governance to ensure compliance with purchasing and property policy. Expectation is a need for expanded requirement to conduct on-going compliance on the purchasing and property fronts. These initiatives will result in new significant workload for FY 2009-11.



Corporate Strategy

\$ In Thousands	Actuals		SOY	IPR		
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Program Level Spending	4,167	5,155	9,845	9,819	10,269	10,795
Increase/Decrease (\$ Amount)		988	4,690	(26)	450	526

Program Background:

The Agency Services strategy group, Corporate Strategy, combines Strategic Planning, and Strategy Integration. Corporate Strategy is charged with the following activities:

- Industry intelligence/market fundamentals
- Coordinated infrastructure planning & analytical tools/modeling, scenario analysis and strategic options
- ColumbiaGrid funding and functional agreements (planning & expansion, reliability and staffing, OASIS)
- Greenhouse gas policy analysis
- Wind integration coordinated operations planning
- Multi-year strategic objectives, initiatives, and performance targets
- Agency capital project valuation and approval process
- Agency-wide performance management system

Drivers of Change:

The following are some of the change drivers:

- Rapidly changing energy landscape (world/national/regional)
- Convergence of multiple interdependent market fundamentals
- Complexity, magnitude and cross-agency issues requires significantly improved capability by BPA to anticipate, evaluate, and respond
- Regional need for additional resources and transmission infrastructure
- Rapid growth in wind resources. Growth in ColumbiaGrid functions
- State & national initiatives on climate change



Corporate Strategy (cont.)

Forecast Risks:

- Without sufficient analytical resources, risk that BPA will not adequately anticipate future industry evolution through effective strategies and decisions
- Start-up of this expanded analytical capability will be difficult to coordinate internally given all other workload
- Without effective ColumbiaGrid planning process, BPA may not be able to meet its obligation for regional transmission planning coordination required under Order 890
- Without strong BPA support for ColumbiaGrid, BPA will be unprepared to reflect GHG regulation and pricing initiatives in its planning & operations
- Without a focus on finding solutions to wind integration operational challenges, BPA could experience severe operating difficulties and be viewed by the region as a barrier to the region in meeting renewable portfolio goals

Efficiencies/Opportunities for Improvement:

- Recruitment of large utilities to join ColumbiaGrid would enable it, over the long-term, to provide the reliability-based services to support the regional grid's reliable operation while taking some burdens off current control area operators
- Within a few years (by 2011), opportunity to consolidate and achieve internal economies of scale in market fundamentals, technical modeling, and scenario analysis



Security & Emergency Management

\$ In Thousands	Actuals		SOY	IPR		
	FY06	FY07	FY08	FY09	FY10	FY11
Program Level Spending	6,028	6,388	7,285	7,404	7,455	7,657
Increase/Decrease (\$ Amount)		360	897	119	51	202

Program Background:

Security and emergency response strategies are inherent in BPA's Policy and Regional Actions, necessitating benchmarking, conducting risk assessments, oversight of the crime witness program, compliance with NERC/CIPP, DOE, Homeland Security requirements and guidelines, regional collaboration, and determining mitigation strategies. Capital Investments in security enhancements are determined based on risk mitigation and compliance needs; resources are managed consistent with value added and Cost Recovery opportunities. Automated Systems and Processes such as BARS and Personal Identify Verification are being developed and streamlined for cost savings and efficiencies, and Asset Management plans and practices support integrated business needs. The tactical and strategic plans support the Agency's Business Resilience/Risk Management focus on preparedness and timely recovery of systems and operations

Drivers of Change:

Key strategic initiatives and new significant workload required for FY 2009-11 will focus on security enhancements and risk mitigation strategies for BPA's critical facilities, protection of personnel, regional collaboration, efficiencies, and compliance with HSPD-12, DOE, Homeland Security, and NERC/CIPP requirements

Forecast Risk: Potential Risks can prevent work from being accomplished safely by qualified personnel, and render critical facilities inoperable. Risks would be present if BPA faced an absence of qualified BPA employees and contractor support to identify and mitigate risks; if the budget level returned to rate case levels for FY 2009, more risk acceptance will occur and BPA may face unacceptable reactions from the public; and, more funds than requested would be required if a major incident occurs in which a critical BPA facility or facilities were attacked by adversaries. Actual \$ impacts under those circumstances are undetermined, but liabilities could exist

Opportunities for Improvement:

Upward cost pressures can be managed effectively by BPA's Security Management representatives through contract management. Opportunities for efficiencies will be pursued by BPA's Security Management representatives on a continuous basis. New emerging technologies will be pursued to offset manpower increases and improve on automated security systems



General Counsel

\$ In Thousands	Actuals		SOY	IPR		
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY2011
Program Level Spending	7,524	7,993	9,251	9,514	9,643	9,968
Increase/Decrease (\$ Amount)		469	1,258	263	129	325

Program Background: General Counsel supports BPA programs through legal advice and representation. Major activities include: (1) Advice and risk assessment, negotiation and alternative dispute resolution; (2) Advice concerning BPA transmission policies and transmission tariffs, contracts and rates; (3) Agency Representation in all areas of litigation before the courts or administrative and regulatory proceedings covering: power marketing, contracts, rates, energy efficiency, resource acquisition, renewable resource policy matters, federal projects, and nonfederal projects, including Energy Northwest and BPA’s statutory and contractual responsibilities with regard to the provision of transmission service; (4) Advice and legal representation in environmental issues and policies including BPA’s fish and wildlife obligations under various acts; (5) Drafting and negotiating financial instruments including documents related to Energy Northwest and treasury financing.

Drivers of Change: Increased need for legal services in transmission due to increased investments and Transmission Service Agreements. Resumptions of the Residential Exchange with attendant legal review, increases in Fish and Wildlife programs, new reliability standards, and compliance requirements.

Forecast Risk: Finding qualified attorneys with transmission legal expertise to absorb new workload and provide for succession planning. Major unanticipated legislation, litigation or court losses.

Opportunities for Improvement: Additional experience for Power and Transmission staff to absorb the increasing load.



Customer Support Services

\$ In Thousands	Actuals		SOY	IPR		
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Program Level Spending	n/a	7,172	8,690	9,776	10,498	10,687
Increase/Decrease (\$ Amount)		n/a	1,517	1,087	722	189

Program Background:

Customer Support Services (CSS) provides Load Forecasting and Analysis, Customer Contract Management and Administration, Customer Billing, Customer Metering Services, agency policy direction, governance, and oversight of BPA's customer (non-Supply Chain) contracting services, and interfaces with front office organizations. Customer Support Services provides overall business management and integration for customer service systems.

Drivers of Change:

Regional Dialogue Contracts - Given the information we have today about the increased complexity of RD contracts, nominal additional FTE and new/enhanced systems will be required to implement the contracts. CSS workload will be compounded given the fact that existing power subscription agreements will be administered in parallel with preparing for implementing Regional Dialogue contracts. Regional Dialogue increased BPA data and forecasting requirements for loads, resources and REP, all requiring enhancements to billing, contracts and load forecasting systems. Succession planning issues resulting in a shortage of Contract Administrators skilled in both Power and Transmission contracts will further complicate management of contracting workload. The impacts of specific initiatives such as WREGIS, FERC Order 890 implementation, Resource Program, etc. are not specifically known, but are expected to be addressed within the forecasted levels of FTE and budgets.



Customer Support Services

Forecast Risk:

1. Contracts that are implemented or administered incorrectly due to lack of adequately skilled staff resources and/or new non-standard, one-off contracts.
2. Financial sanctions placed on BPA if it doesn't meet WECC/NERC reliability requirements.
3. Unanticipated costs related to settlements due to improper implementation of contracts.
4. Weakened or non-compliance with internal controls mandates, e.g. OMB Circular A-123.

Opportunities for Improvement:

1. Standardized RD contracts and fewer one-offs will simplify the implementation of customer contracts, thus resulting in cost reductions and fewer resources to administer the contracts.
2. New integrated customer support systems and cross-trained employees (to handle both Power and Transmission work) will reduce staff resources needed to properly implement contracts.
3. Reduction in staff time due to new, more efficient processes and less time needed to review and bill contracts.
4. New internal controls will ensure improved consistency, quality and customer service.



Safety

\$ In Thousands	Actuals		SOY	IPR		
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Program Level Spending	1,789	2,026	2,283	2,314	2,393	2,497
Increase/Decrease (\$ Amount)		237	257	31	79	104

Program Background:

- Responsible for creating, implementing, and maintaining safety program across BPA, including implementation of Bare handing Transmission Line work, worker safety and hearing conservation program.

Drivers of Change:

- Much needed “catching up” of training materials including training videos and mannequins for vault and pole-top/structure rescue training. Also needed are technical reference books, fall restraint devices and fire extinguisher training materials, etc.
- Start-up of bare handing will require use of consulting services to develop safety procedures. We will also need additional industrial hygienist work for air quality sampling, asbestos sampling, respirator protection program consulting, hearing conservation program consulting and mercury sampling.
- Other needs include: certification training for professionals, fall protection, respiratory protection, arc flash protection, hearing conservation protection, confined space protection, trenching and shoring, and air quality hazards.

Forecast Risk:

- Not having the necessary expertise resulting in OSHA citations
- DOE awareness and intervention if there is an accident or incident where we have not identified the hazard and implemented abatement processes.
- Unable to perform critical function.

Forecast Risk:

- Reduction of agency OWCP costs with full implementation of SAFE program in the FY 2011 timeframe.
- Reduced costs of outages for with full implementation of bare-handing program training to accomplish spacer replacement program in Transmission Field Services.



Human Capital Management

\$ In Thousands	Actuals		SOY	IPR		
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Program Level Spending	15,921	15,163	18,002	16,228	16,843	16,336
Increase/Decrease (\$ Amount)		(758)	2,839	(1,774)	615	(507)

Program Background: Human Capital Management plans, directs and manages a comprehensive human capital management strategy and program aligned to meet agency mission and objectives.

Drivers of Change:

- From FY 2008 to FY 2009, reduced FTE by 9 to reflect EPIP efficiencies
- Reduced forecast of workers compensation claims (OWCP) to be inline with current experience of actual claims
- Reduced forecast of eGov (federal internet accessibility efforts) expense to \$0
- Overall budgets reflect implementation of HCM services via a new delivery model that: focuses on business outcomes; sharpens delivery via expert services (i.e. centrally planned training; strategically coordinated and driven recruiting; and enhanced performance management skills and systems); relies on the deployment of automation tools to manage workflow; and encourages self service by users of Human Capital Management.

Forecast Risk:

- OWCP claims, while being managed to reduce cost exposure, are not directly controllable
- Complication of BPA business processes may cause upward pressure on recruiting, hiring and training costs
- Increased infrastructure investment may cause upward pressure on recruiting and hiring costs
- Costs of government-wide HCM-related initiatives may be allocated to BPA
- Automation and change management initiatives may deliver less than planned savings

Opportunities for Improvement:

- Continuous improvement of current operations improves efficiencies gained to date
- Assertive case management (HCM) maintains or lowers OWCP costs
- Emphasis on resource efficient practices in key program areas such as increased use of student programs and other non-competitive hiring authorities reduces recruiting and hiring costs



Supply Chain Management

\$ In Thousands	Actuals		SOY	IPR		
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Program Level Spending	16,526	15,931	17,715	18,315	21,120	20,887
Increase/Decrease (\$ Amount)		(595)	1,784	600	2,805	(233)

Program Background:

- Supply Chain is responsible for the purchasing all services, construction, materials and equipment, materials management, including warehousing of inventory, inventory management, order filling, transportation, fleet management, asset recovery, hazardous materials processing and disposal, supply chain processes, property management, and information systems management, including management of material and equipment catalogs.

Drivers of Change:

- Increased workload to support internal customer initiatives and demands, particularly Transmission infrastructure, Research and Development, and Energy Efficiency.
- Improved quality control and risk management. Supply Chain needs a better trained and informed contracting staff to reduce risk of claims or settlements and minimize upward cost pressures. (EPIP-related)
- Legality of Biological Opinions and increased visibility of the F&W program resulting in increased spending on environment initiatives.
- Increased value-added services and associated analytics required to provide - Supplemental Management Labor Office, Strategic Sourcing, E-Commerce, data integrity, etc. (EPIP-related).
- Retirements occurring at a greater rate introducing more challenge in accomplishing workload, in maintaining corporate knowledge, and in recruiting and developing new talent.
- Redesign of inventory and purchasing processes, internal controls, and performance to ensure compliance with Agency Master Lease initiative.



Supply Chain Management (cont.)

Forecast Risk:

- Inability to obtain critical skill sets that can function in the current market (strategic sourcing, hedging, outwardly focused) will prevent us from realizing planned efficiencies.
- Increased competition for goods and services will increase costs and inventory jeopardizing BPA's mission of low rates.
- Delays in obtaining EPIP identified efficiencies through implementation of new IT technologies will impact staffing levels - there are built in savings that may not be realized.
- Risk that we have under estimated the staffing required to support the Agency's program growth and will not be able to adequately support Agency objectives.

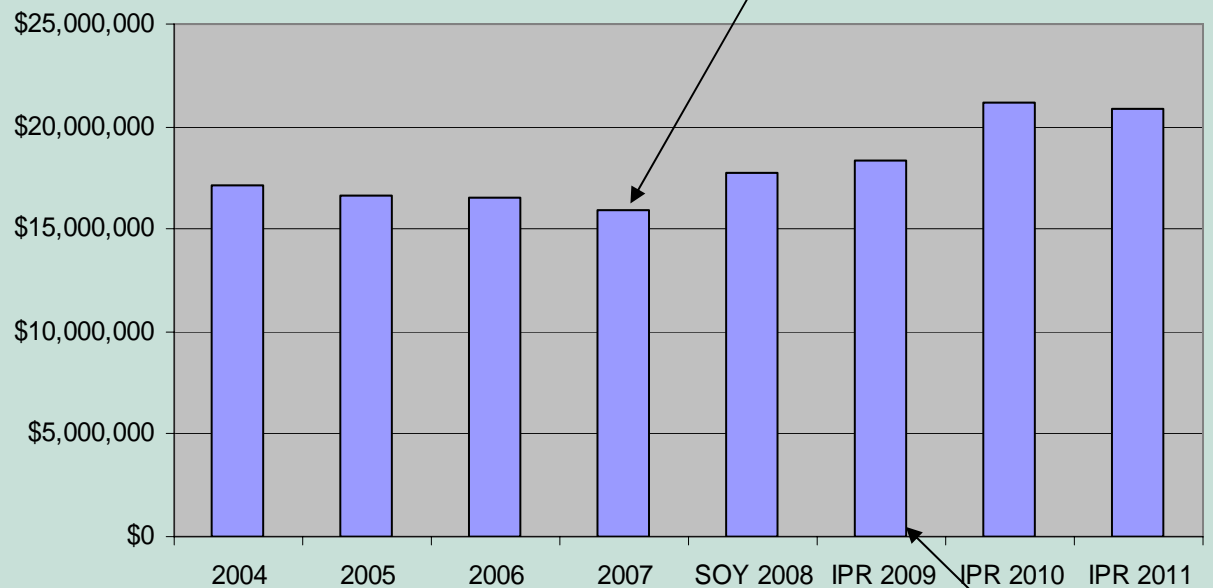
Strategies for Improvement:

- Application of technology to facilitate purchasing operations (E-commerce, reverse auctions, supplemental labor management system, bar coding, evaluating the use of Radio Frequency Identification).
- Increased use of outsourcing for inventory and materials procurement, management, and logistics.
- Establishing two cross-functional teams, one with Transmission and one with Fish & Wildlife, to develop strategies for accomplishing a significant program growth with minimal impact on BPA resources - expect multiple outsourcing strategies will be developed. Goal will be to outsource as much supply chain support as possible so that increases to existing supply chain assets will be minimized.



Supply Chain Management (cont.)

2007 withheld filling positions pending EPIP future state determination.



Initiatives External to Supply Chain Impacting Workload and Costs

- Increase in Transmission infrastructure by 116% over next 2+ years. The increase impacts contracting, material handling, and transportation.
- Increase in R&D projects by 80-100% over the next 3 years impacts contracting staff.
- Increase of F&W program by 50% impacts contracting staff.
- Master Lease impacts contracting, inventory management, material handling, and transportation.
- Increase in EE program by 10-15% impacts contracting.
- Increase in use of Supplemental Labor overall in the agency impacts contracting.
- Increase in fuel costs.

Significant Improvements to Date

- Strategic Sourcing
 1. Cell Phones
 2. Line Construction
- Contract risk model
- Buyer certification program
- Technical Oversight Certification Program
- Contract Formation – more rigor

Improvements Underway

- Strategic Sourcing:
 1. Insulator
 2. Facilities
 3. Transformers
 4. Breakers
- Bar Coding Upgrade
- eCommerce

Increases needed to support FY09-11 BPA-wide program growth.

FY11 – EPIP savings realized.



Workplace Services

Budgeted in Agency Services

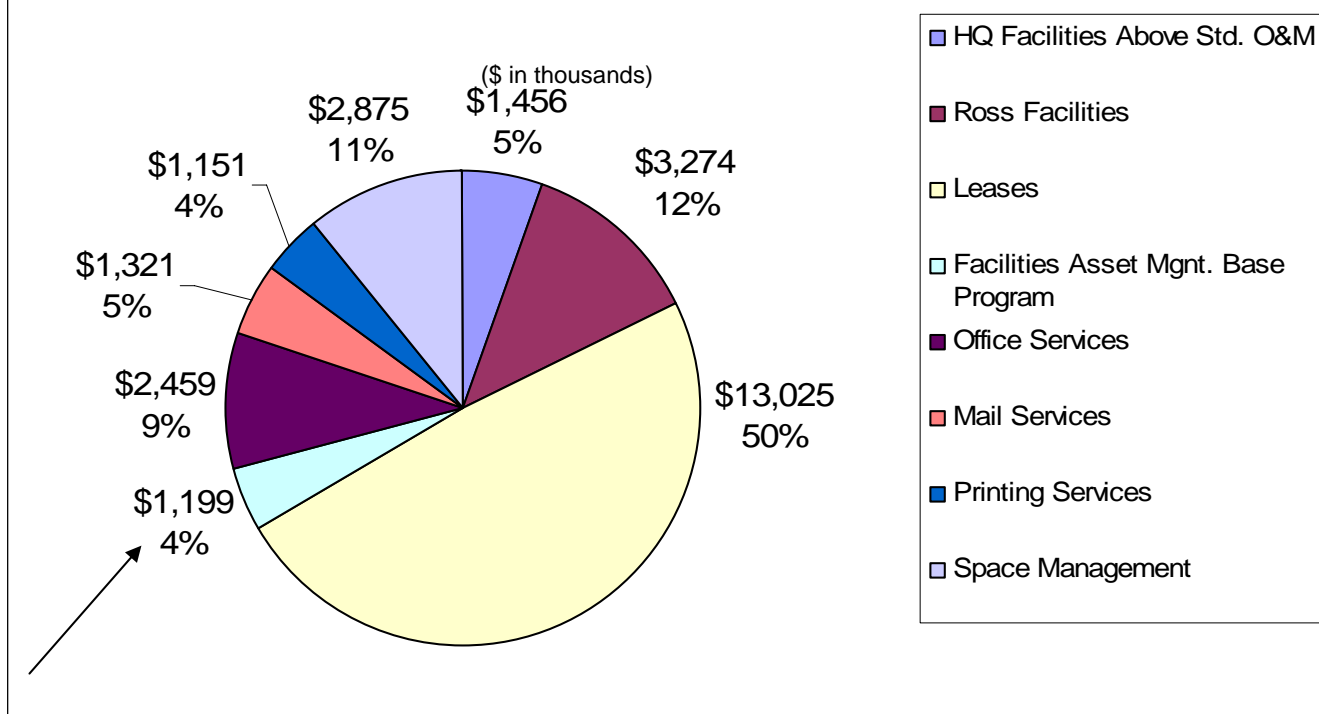
\$ In Thousands	Actuals		SOY	IPR		
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Program Level Spending	24,006	23,590	23,059	23,488	24,142	24,798
Increase/Decrease (\$ Amount)		(416)	(531)	429	654	656

Program Background:

Workplace Services consists of facilities (HQ and Ross O&M and asset management), leases, space management, office services, printing, and mail services. The overall trend for Workplace Services' base program is to stay level with the exception of the new facilities asset management program.

The Ross Facilities O&M function, along with projects identified in the Facilities Asset Management plan for Transmission field sites, directly effect Transmission Services as shown in the next table.

FY09 Proposed Expense Costs for Workplace Services Base Program



Base program only, does not include facilities asset management related projects



Workplace Services (cont.)

**Impacts directly into Transmission Services:
Ross Facilities O&M and Facilities Asset Management Projects**

\$ In Thousands

	Actuals		SOY	IPR		
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Program Level Spending	2,865*	2,787	3,248	9,020	20,664	22,463
Increase/Decrease (\$ Amount)		(78)	461	5,772	11,644	1,799

* To gain efficiency, the Ross Facilities O&M function was transferred from Transmission Services into Workplace Services in FY 2007.

In FY 2006, the Asset Management EPIP identified Facilities as one of seven asset categories. The Facilities Asset Management (FAM) program oversight and management was placed in Workplace Services. In collaboration with Transmission Services, this program was established with the following goals:

- Identify facilities-related risks and their impact to the agency's mission
- Develop and implement a program that mitigates the risks for facilities
- Manage and operate facility assets at least life cycle cost to meet the following long term outcomes:
 - Agency business objectives
 - Performance and condition standards for assets
 - Energy efficiency standards
 - Safety and security standards



Workplace Services (cont.)

Drivers of Change:

- Condition assessments conducted as part of Facilities Asset Management (FAM) plan determine current risk exposure. Increased proposed funding is included to address backlog of facilities-related deferred maintenance.
- In FY 2007, Ross Facilities was moved to Workplace Services transferring \$3.2 million budget and 6 BFTE from Transmission Services.
- In FY 2006, Space Management completed the Portland/Vancouver Space Optimization resulting in a \$2.2 million annual savings in lease costs.

Forecast Risk:

- Constraints on resources to implement FAM plan
 - Increased work load with existing staff
 - Contracting process workload
- Cost estimates
 - Cost estimates do not include building replacements. Estimates only include replacement in kind of building components (systems)
 - Cost estimates for replacement in kind may not meet current needs in all cases
 - Unknown projects as a result of business resiliency, impact from energy efficiency initiatives, Executive Orders, etc.
- Accounting treatment
 - Scope of work may shift treatment from capital to expense or vice versa
 - Decision to replace rather than maintain may shift expense to capital

Opportunities for Improvement:

- Numerous process improvement initiatives implemented in Workplace Services resulting in optimized space and reduced costs
- Implementing a strategic sourcing approach to contracting facilities management related services
- Ongoing evaluations of leased facilities to best meet business requirements in a cost effective manner
- FAM plan will incorporate a holistic approach across the agency for implementing facility projects
 - Possible economies of scale through large contracts and material/equipment purchases
 - Workload efficiencies gained by consolidating projects



Workplace Services (cont.)

Facilities Asset Management Plan

FY 2009 – FY 2018

Over the past year, condition assessments were conducted on all buildings at 118 of the approximately 430 Transmission sites. The purpose of the assessments was to determine the current condition of each building and its' associated components (facility systems). The work currently needed to repair or replace a system was identified and recorded as a “requirement”. The work associated with anticipated future replacements were recorded as “system renewals”.

Results Included in 10 year FAM Plan

Backlog of deferred maintenance:

- Approximately 4,200 requirements identified to date, estimated at \$61M as illustrated in the chart on the right.
- Approximately 2,000 system renewals estimated at \$10M

Life Safety Issues

Allston Control House:
Exit doors fail to meet life safety codes.

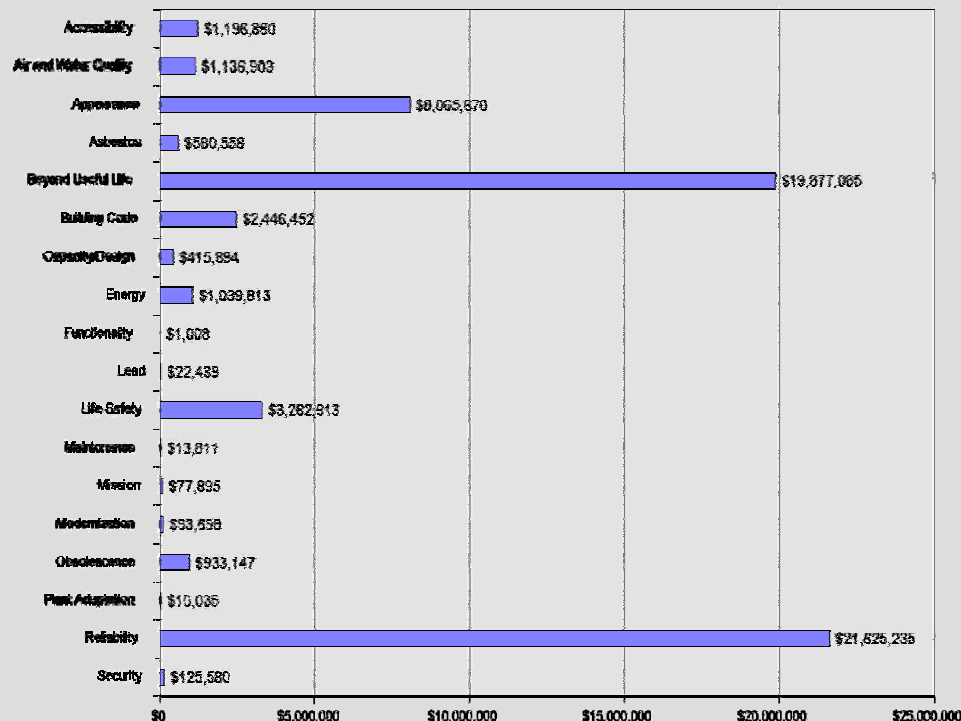


Ross Control House:
Falling ceiling tiles pose safety hazard.



Proposed Funding Needs for Requirements by Category

(Total = \$61 M, real \$)





Workplace Services (cont.)

Facilities Asset Management Plan: Requirements Prioritization Process Results

A logical, disciplined process for prioritizing work has been developed to address the most critical requirements as a priority. The table below illustrates the funding levels identified to address requirements associated with each asset priority level at each system priority level.

Requirement Funding by Asset Priority and System Priority
(real \$000,000's , Total = \$61M)

Asset Priority (by Grouping)	Asset Priority	System Priority (w/ Examples)				
		1	2	3	4	5
Other	5	\$0.89	\$0.89	\$0.41	\$0.08	\$0.26
Storage	4	\$2.47	\$1.89	\$0.25	\$0.02	\$0.41
Office, Maintenance, Special Purpose	3	\$12.01	\$5.45	\$2.93	\$0.51	\$3.56
Utility	2	\$0.40	\$0.48	\$0.13	\$0.04	\$0.18
Utility	1	\$7.60	\$7.50	\$3.60	\$0.38	\$4.80
		Roof Heat/Cool Fencing	Walls Wiring Elevators	Fixtures Air Dist Parking	Foundations Kitch Equip Sidewalks	Int Finishes Landscape Gas Dist

Focus placed on critical requirements linked to critical systems at highest priority assets.

Execution of Strategy

FY 09: Focus on highest priority life safety and reliability requirements at assets most critical to personnel and transmission system

FY 10, 11: Continued focus on reliability requirements across sites

FY 12-17: Resolve remainder of deferred maintenance and update assets to meet current codes

FY 17, 18: Address facility system renewals at 150% of original expected service life



IT Expense

\$ In Thousands	Actuals		SOY	IPR		
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Program Level Spending	58,591	57,840	58,310	58,313	68,381	68,000
Total Increase/Decrease (\$ Amount)		(751)	470	3	10,068	(381)

Program Background:

- The IT program contains expense to implement system enhancements to meet emerging business requirements, implement changes due to mandatory regulation, and to maintain the reliability of hardware through maintenance and refresh.

Drivers of Change:

- Implementing Federal Information Security Management Act and OMB Circular A123.
- Evolving business requirements.

Forecast Risk:

- Emerging security and regulatory requirements will impact workload and priorities and thus consume resources needed to fulfill business support requests.
- The IT expense spending was reduced before all of the efficiencies needed to support the reductions were completed; realization of the efficiencies requires expenditure of expense dollars.
- Capital projects implement business units Enterprise Process Improvement Program initiatives which provide business units with savings while IT funds ongoing expense support tail. If this support tail is not addressed, IT will be required to support more systems than current resources allow which could jeopardize systems' reliability. Expense support tails need to be funded as capital projects are approved.

Opportunities for Improvement:

- Increase use of standards:
 - Reduce complexity to lower costs
 - Increase interoperability (ability of systems to work together and exchange information) to enable greater reuse and extension of existing software solutions
 - Consolidate and virtualize hardware to optimize resource utilization
- IT is in the process of adopting Demand Management which will allocate resources and prioritize work to achieve optimal value to the agency while delivering on the Agency's strategic business objectives.



IT Expense (cont.)

IT is first major EPIP initiative

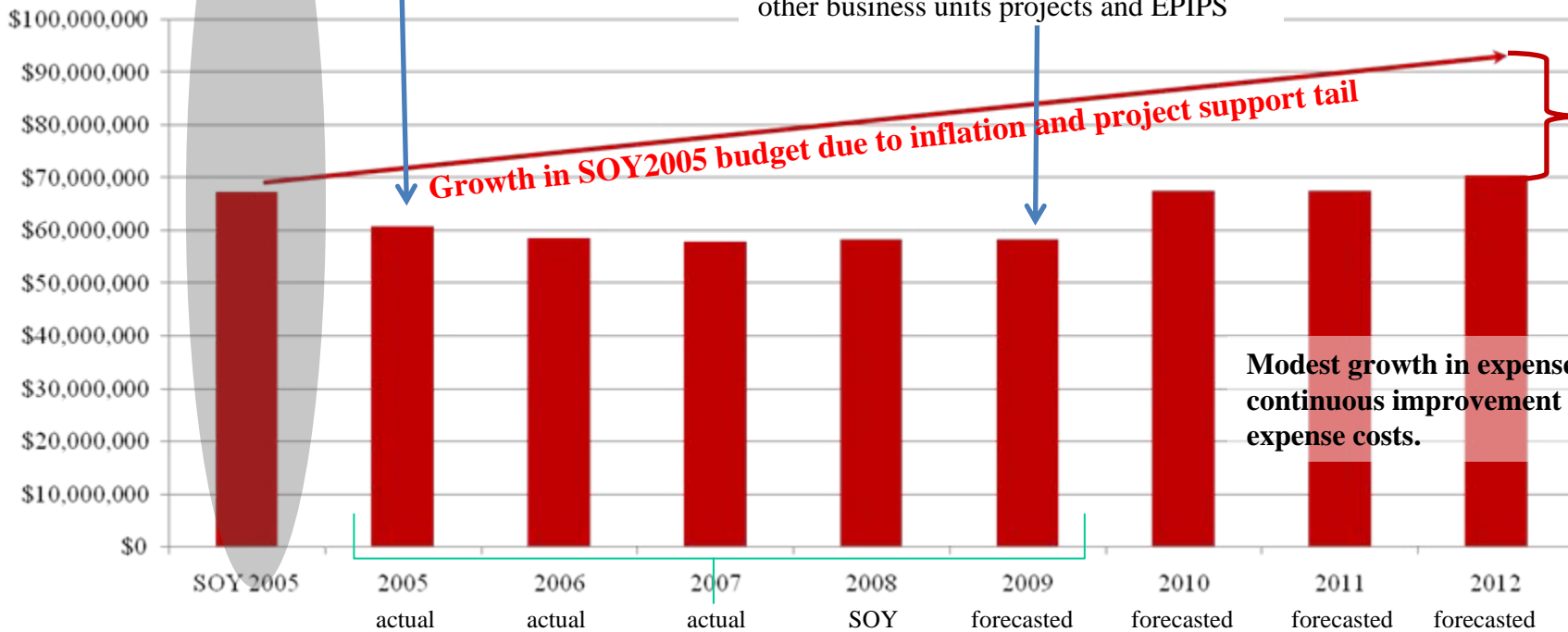
- Consolidated redundant services
- Introduced hardware and software standards
- Restructured contracted labor
- Consolidated hardware

Cumulative expense savings resulting from IT EPIP controlling inflation & projects' support tails: \$153M

IT begins to feel additional expense pressure from delivering and supporting other business units projects and EPIPS

Growth in SOY2005 budget due to inflation and project support tail

Modest growth in expense as IT EPIP and continuous improvement help to contain expense costs.



- Absorbed \$8 million increased Operations Maintenance tail and new license fees from delivering Transmission and Power Projects
- Absorbed \$4 million increase in labor costs due to inflation
- Placed hardware on refresh cycle while holding hardware spending consent at 9 percent of total funding
- Business units' projects and EPIPs resulted in the business units realizing savings. IT incurs the costs of supporting new systems
- FY 2010 acknowledges this increase in support costs and adjust the IT spending estimates accordingly
- Note: Without IT EPIP:
 - inflation alone would have driven the budget from \$67.3 million SOY FY 2005 to over \$80 million in FY 2010
 - inflation and the support cost from projects would have driven FY 2010 expense to over \$88 million versus projected \$67.3 million



Agency Service Capital

Actuals FY 2006-2007 & Proposed FY 2009-2013

Capital \$ in thousands	Actuals		SOY	IPR				
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Agency Services								
Security & Emergency Mgmt	75	454	571	4,989	5,102	5,814	5,948	6,005
General Counsel	47	108	136	142	148	155	160	166
Workplace Services	617	3,030	3,353	15,487	60,804	23,641	23,758	23,877
Information Technology	16,145	16,446	19,000	19,000	21,375	21,375	21,375	21,375
Total	16,883	20,038	23,060	39,619	87,429	50,985	51,242	51,423
Total Increase/Decrease (\$ amount)		3,155	3,022	16,558	47,811	(36,444)	256	181



Security & Emergency Management Capital

\$ In Thousands	Actuals		SOY	IPR				
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Program Level Spending	75	454	571	4,989	5,102	5,814	5,948	6,005
Increase/Decrease (\$ Amount)		379	117	4,418	113	712	134	57

Program Background:

The Security and Emergency Response program contains capital funding to address deficiencies, better posture the organization to respond to emergency events, address mandatory regulations, and to offset risks identified through various risk assessments and security surveys conducted by organizations such as U.S. Department of Energy, Department of Homeland Security and BPA's Security and Emergency Response group.

Drivers of Change:

BPA is required to implement security requirements and adhere to guidelines set forth under Presidential Security Directives, U.S. Department of Energy's Security Orders, and emerging NERC Critical Infrastructure Protection Standards. BPA is also obligated to provide reasonable protection of its critical facilities and the workforce against threats that pose risks beyond an acceptable level for safety and reliability. Significant cost changes from FY 2008 to FY 2009 are due to the capital funds for Level 2 security enhancements of field sites being transferred from the Transmission business line to the Security group for management.

Forecast Risk:

Constraints on resources prevent full mitigation of some security risks. Ongoing security threats, regulatory security requirements and the level of incidents will continue to dictate an adequate industrial level of sustained security and emergency response capability for the Agency.

Opportunities for Improvement:

Due to the large number of critical facilities, their geographical dispersion, and the high cost of manpower, BPA will continue to implement technology to adequately address the assessment, detection, and response capabilities to help mitigate risks. Centralization of capital funds to the Security group during FY 2009 should improve on oversight and efficiencies of the resources.



General Counsel – Capital

\$ In Thousands	Actuals		SOY	IPR				
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Program Level Spending	47	108	136	142	148	155	160	166
Increase/Decrease (\$ Amount)		62	28	6	6	7	5	6

Program Background:

General Counsel capital costs cover direct charges to Transmission projects for land, right-of-way and other legal services.

Drivers of Change:

Annual costs is based past need and depends upon the projects supported.

Forecast Risk:

Cost could increase if existing capital projects require more work than expected or if there are more projects than expected.



Workplace Services Capital

\$ In Thousands	Actuals		SOY	IPR				
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Program Level Spending	617	3,030	3,353	15,487	60,904	23,641	23,858	23,877
Increase/Decrease (\$ Amount)		2,413	323	12,134	45,417	(37,263)	217	19

Program Background: Workplace Services' capital program has historically been dedicated to leasehold improvements at the Portland Headquarters building to meet business requirements and occupant safety. The proposed capital has been expanded to include Ross and Field facilities.

Drivers of Change:

- Mid-Year FY 2006, Workplace Services assumed responsibility for Transmission Services Engineering records operations resulting in transferring 4 CFTE and approximately \$200 thousand in capital funding from Transmission
- In FY 2007, the capital program for Ross Facilities was moved to Workplace Services
- In FY 2009, Facilities Asset Management Program includes capital improvements at existing field sites
- Proposal of three new facilities to meet business requirements and improve workgroup adjacencies at Ross, Tri-cities, and Idaho Falls
- Spending estimates includes placeholders for future business resiliency requirements

Forecast Risk:

- Constraints on resources to implement FAM plan
 - Increased work load with existing staff
 - Contracting process workload
- Cost estimates
 - Cost estimates to address requirements may not meet current needs in all cases
 - Unknown projects as a result of business resiliency, impact from energy efficiency initiatives, Executive Orders, etc.
 - Facilities Asset Management may determine that certain facilities are beyond maintenance and will recommend replacing. The cost to replace these new assets are not included in the capital forecast.
- Accounting treatment
 - Scope of work may shift treatment from capital to expense or vice versa
 - Decision to replace rather than maintain may shift expense to capital

Opportunities for Improvement:

- FAM plan will incorporate a holistic approach across the agency for implementing capital projects
 - Possible economies of scale through large contracts and material/equipment purchases
 - Workload efficiencies gained by consolidating projects
- Ongoing evaluations of leased facilities to best meet business requirements in a cost effective manner

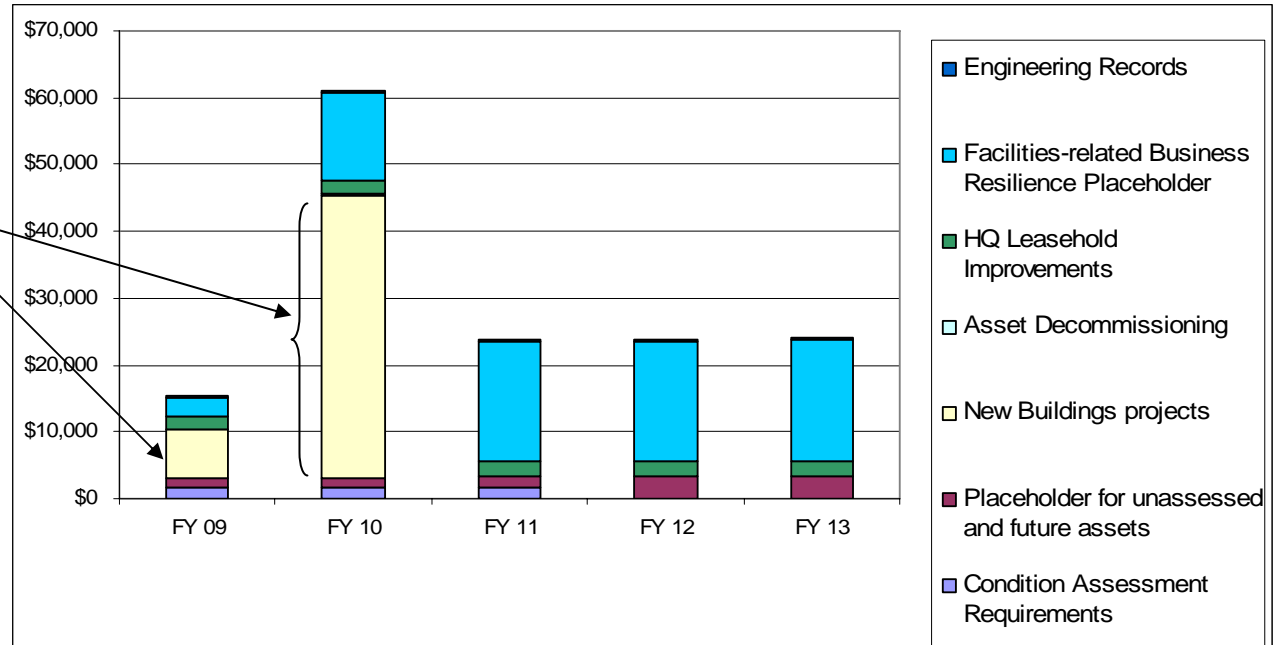


Workplace Services Capital (cont.)

Key increases in proposed capital program:

- Proposed new building projects: Tri-Cities Maint HQ (\$12M), Idaho Falls Maint HQ (\$612k) and Dittmer Annex (\$36M)
- Facilities-related Business Resilience placeholder for construction of possible new facilities

Total Proposed Capital by Year and by Type of Work (\$ In Thousands)



Capital Plan for Facilities, FY 09 to FY 13 (\$ In Thousands)

	FY09	FY10	FY11	FY12	FY13
<i>In Transmission:</i>					
Condition Assessment Requirements	\$1,709	\$1,744	\$1,778		
Placeholder for unassessed and future assets	\$1,400	\$1,428	\$1,457	\$3,300	\$3,366
New Buildings projects	\$7,221	\$42,299			
Asset Decommissioning		\$100	\$100	\$100	\$100
Engineering Records	\$230	\$241	\$251	\$260	\$269
Facilities-related Business Resilience Placeholder		\$10,000	\$15,000	\$15,000	\$15,000
<i>In Agency Services:</i>					
HQ Leasehold Improvements	\$1,927	\$2,093	\$2,155	\$2,198	\$2,242
Facilities-related Business Resilience Placeholder	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Total Capital Plan	\$15,487	\$60,904	\$23,741	\$23,858	\$23,977



IT – Capital

\$ In Thousands	Actuals		SOY	IPR				
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Program Level Spending	16,145	16,446	19,000	19,000	21,375	21,375	21,375	21,375
Increase/Decrease (\$ Amount)		301	2,554	0	2,375	0	0	0

Program Background:

- The IT program contains capital projects to implement reliable automated solutions designed to meet the Agency’s business requirements at least lifecycle cost while adhering to federal regulatory requirements and commercial agreements.

Drivers of Change:

- Support Transmission, Power, and Corporate Enterprise Process Improve Program initiatives
 - Work Plan Scheduling System – designed to system for work planning, scheduling, resource forecasting and outage coordination
 - Supplemental Labor Information Management – a system to track supplement labor costs and enable savings from standardizing jobs
 - Transmission Asset System – improves access and analysis of Transmission’s substations, lines, microwave sites, and control center
- Provide automated solutions to support wind integration
- Provide automated solutions to support Regional Dialog
- Respond to emerging cyber threats (e.g. Spam filters, whole disk encryption to protect Personal Identifying Information)
- Introduce and leverage emerging technologies (e.g. Hierarchical storage, virtualization/multi-cores, IPv6)

Forecast Risk:

- Align network connections to adhere to OMB Trusted Internet Connection initiative
- Unknown potential impact from emerging NERC Critical Infrastructure Protection requirements
- Emerging cyber threats (e.g. threats from evolving Spam, malicious mobile code)

Opportunities for Improvement:

- Implement hierarchical storage to control growth and cost of storage and backups
- Upgrade cable plant to 100Mbps to desktop to improve automated support and maintenance of desktops
- Enhance project management
- Adopt commercial off-the-shelf software (COTS) without customizing. It is not cost effective or consistent with best practices to customize COTS



IT Capital (cont.)

2005: Centralized IT under CIO & Agency Prioritization Steering Committee formed

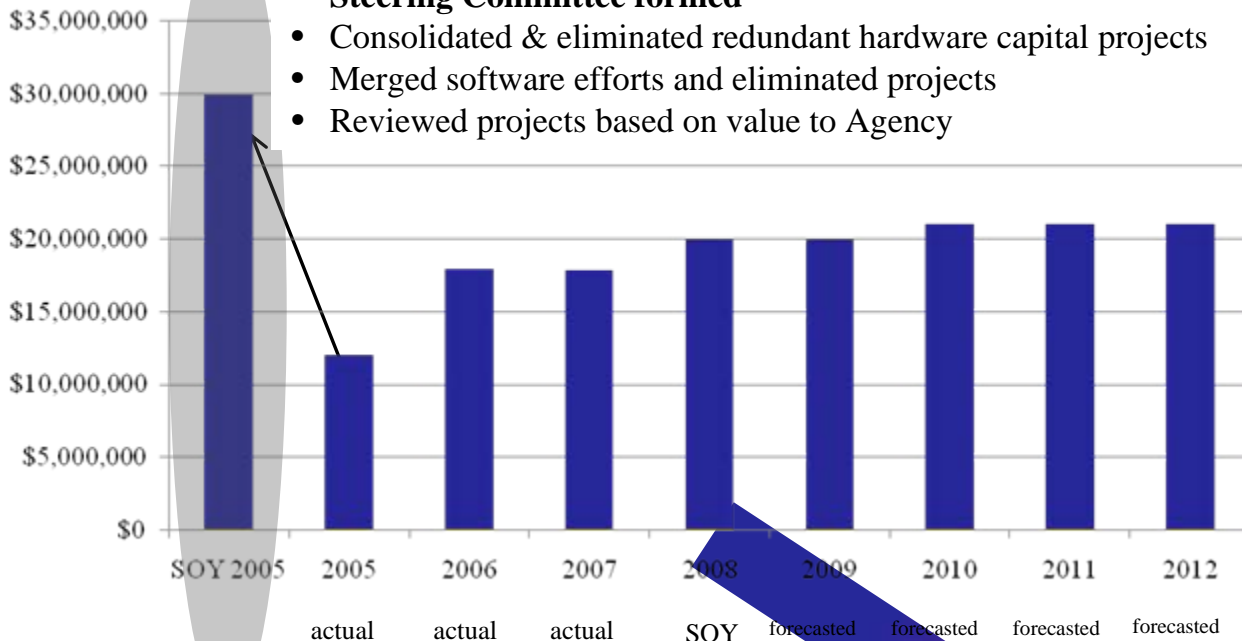
- Consolidated & eliminated redundant hardware capital projects
- Merged software efforts and eliminated projects
- Reviewed projects based on value to Agency

Partial List of Projects Completed Since FY2005

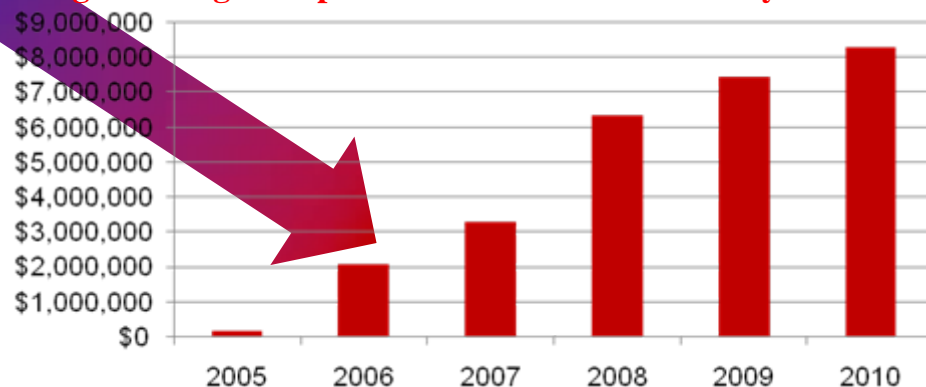
- Agency Load Forecasting
- Near Real Time Optimizer
- Transmission Line Design Data
- OASIS
- Trade Management System
- Trade Scheduling System Upgrade

Partial List of Projects Currently in Progress

- Agency Metering System
- Weather Streamflow Redesign
- Customer Billing Contract
- Pisces (F&W program management)



Many projects reduce operating costs in business units while generating an expense tail that is maintained by IT



Expense Tail from Capital Projects & Off Site Hosted Projects

Agency Prioritization Steering Committee

- Members are comprised of business units and IT
- Evaluates and prioritizes approximately 60-80 projects a year
- Ensures projects:
 - Enable BPA to meet its strategic business objectives
 - Increase reliability
 - Assist BPA in achieving low rates while adhering to sound business practices
 - Aid BPA in responsible environmental stewardship



Upcoming Workshops

Workshop	Date	Time
Executive Welcome & Overview	Thurs. 05/15/2008	9am-3pm
FY 2009 Power Cost Overview, Misc.	Thurs. 05/15/2008	3pm-4pm
Asset Management Overview, Agency Service Costs	Tues. 05/20/2008	9am-9:30am 9:30am-12:30am
Power's Internal Operating Costs, Power's Transmission Acquisition & Residential Exchange	Tues. 05/20/2008	1:00pm-4:00pm
Fish & Wildlife Capital/Expense with emphasis on MOA costs overall and FY 2009 F&W Program Costs, and FY 2009 Columbia River Fish Mitigation Investment	Wed. 05/21/2008	9:00am-12:00pm
Corps/Reclamation – Capital/Expense Part 1 of 2	Wed. 05/21/2008	1:00pm-4:00pm
Conservation & Energy Efficiency – (Capital/Expense), Renewable Resources Program	Thurs. 05/22/2008	9:00am-12:00pm
Columbia Generating Station	Thurs. 05/22/2008	1:00pm-4:00pm
General Manager Meeting on 2009 Costs	Thurs. 06/11/2008	9:00am-12:00pm 1:00pm-2:00pm
Fish & Wildlife Capital/Expense with an emphasis on FY2010-2011 F&W Program Costs, Hydro Ops, Lower Snake River Comp. Program & Columbia River Fish Mitigation Investment & NWPC	Thurs. 06/12/2008	9:00am-12:00pm
Corps/Reclamation – Capital/Expense Part 2 of 2	Thurs. 06/12/2008	1:00pm-4:00pm
Transmission Capital/Expenses	Thurs. 06/19/2008	9:00am-12:00pm
Depreciation, Amortization and Interest, and Debt Management	Thurs. 06/19/2008	1:00pm-4:00pm
General Manager Meeting	Thurs. 06/26/2008	9:00am-12:00pm
IPR Concluding Workshop	Thurs. 06/26/2008	1:00pm-4:00pm



BPA's Financial Disclosure Information

1. All FY 2008-2013 information was provided in May 2008 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.”*
2. All FY 2007 and earlier information was provided in May 2008 and is consistent with audited actuals that contain BPA-approved Agency Financial Information.



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/>
- All Technical and Managerial workshops will be held at BPA Headquarters.
- The comment period for the IPR open Thursday, May 15, 2008. Close of comment for FY 2009 Power Costs is June 19, 2008. Close of comment for all other costs is August 15, 2008. You have several options to provide comments to BPA:
 1. Attend one or more of the meetings listed above and give BPA your comments.
 2. Discuss your input with your Customer Account Executive, Constituent Account Executive, or Tribal Liaison.
 3. Submit written comments to Bonneville Power Administration, P.O. Box 14428, Portland OR 97293-4428.
 4. Submit comments via e-mail to: comment@bpa.gov or submitted on line at: <http://www.bpa.gov/comment>
 5. Comments can also be sent via fax to (503) 230-3285.