



Bonneville Power Administration

Integrated Program Review

FY 2009 Power Costs

General Manager Meeting

June 11, 2008



Agenda

1. Purpose of Workshop
2. Comment Period and Schedule
3. Background, Pressures and Expected Rate Impacts
4. Summary of Proposed Changes to FY 2009 Program Levels
5. How to Provide Comment



Purpose of Workshop

The purpose of this workshop is:

- To provide BPA and General Managers with an opportunity to discuss proposed changes to FY 2009 Power Program Costs, and
- For General Managers to provide input to BPA Executives on these proposed program levels.



Comment Periods

- Comments on Proposed FY 2009 Power Costs
 - Comment period May 15 through June 19
 - General Manager meeting June 11
 - Decisions reported in a closeout letter and meeting July 2
- Comment Period for FY 2010 and Beyond
 - Comment period May 15 through August 15
 - General Manager Meeting July 2
 - Draft decision letter sent out mid-July
 - Decisions reported in a closeout letter September 1



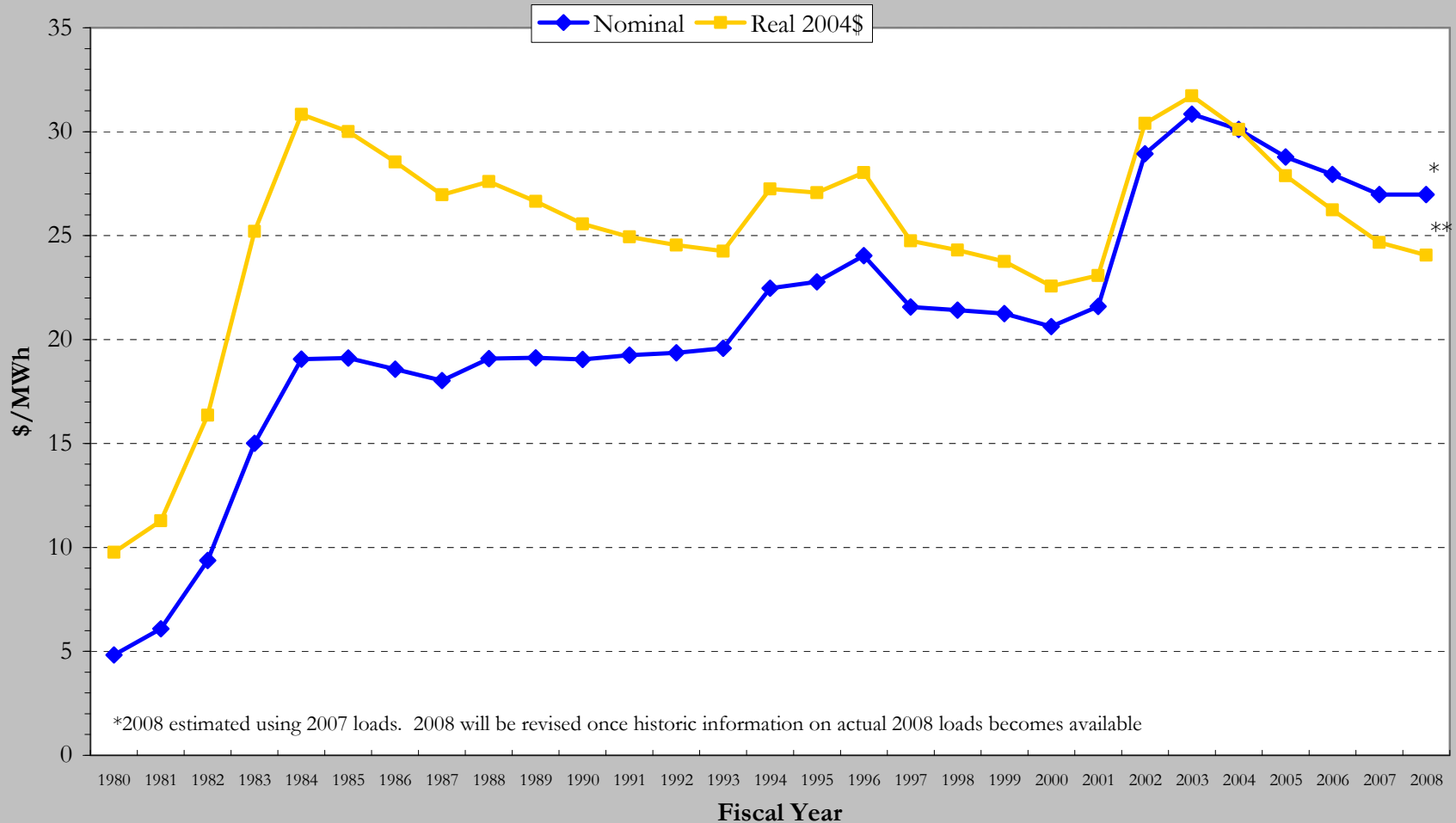
**2008 IPR Workshops schedule:
REVISED JUNE 6**

Workshop #	Dates	Time	
1 Executive Welcome and overviews Executive welcome, introduction and process overview Power overview Transmission overview	Th. 5/15/2008	9am-3pm	
2 FY 2009 Power Costs Overview, schedule Miscellaneous small program changes	Th. 5/15/2008	3pm-4pm	
3 Asset Management Overview Agency services Costs	Tues. 5/20/2008	9am-9:30 am 9:30am-12pm	
4 Power's Internal Operating Costs Power's Transmission Acquisition Residential Exchange	Tues. 5/20/2008	1pm-4pm	
5 Fish and Wildlife Capital/Expense MOA costs overall, and changes to FY 2009 F&W Program costs, and Columbia River Fish Mitigation Investment.	Wedn. 5/21/2008	9am-12pm	
6 Corps/Reclamation - Capital/Expense Part 1 of 2	Wedn. 5/21/2008	1pm-4pm	
7 Conservation and Energy Efficiency - Capital/Expense Renewable Resources Program	Th. 5/22/2008	9am-12 pm	
8 Columbia Generating Station	Th. 5/22/2008	1pm-4pm	
9 General Manager Meeting on 2009 costs (Steve Wright attending 2pm to 4pm)	Wedn. 6/11/2008	1pm-4pm	Note Revised Time
10 Fish and Wildlife Captial/Expense with emphasis on FY 2010-2011 F&W program costs, hydro ops, Lower Snake River comp. Program, Columbia River Fish Mitigation Investment and NWPCC	Th. 6/12/2008	9am-12pm	
11 Corps/Reclamation - Capital/Expense Part 2 of 2 (If necessary)	Th. 6/12/2008	1pm-4pm	May not be necessary
12 Depreciation, Amortization and Interest, and Debt Management	Th. 6/26/2008	9am-12pm	Note Revised Date
13 Transmission Transmission Expenses Transmission Capital	Th. 6/26/2008	1pm-4pm	Note Revised Date
14 General Manager meeting on 2010-2011 costs (Steve Wright attending 10am to 11am)	Wedn. 7/2/2008	9am-11pm	Note Revised Date
15 Close-out on FY 2009 Power Costs	Wedn. 7/2/2008	11am-12pm	Note Revised Date



Background - Historical Power Rates

Historical Priority Firm Power Rates - No Transmission 1980-2008



*2008 estimated using 2007 loads. 2008 will be revised once historic information on actual 2008 loads becomes available

Deflators for 1980-2007 from Bureau of Economic Analysis - Table 1.1.9. Implicit Price Deflators for Gross Domestic Product; **2008 estimated from 2007



Background – Pressures on Capital

- BPA’s capital investment forecast is informed by asset management planning, a systematic, risk-informed approach to evaluating the current condition of existing assets, identifying the desired state for those assets to generate the maximum cost-effective value, and developing an investment and maintenance strategy to achieve that value.
- BPA sees the need for increased capital investment across the system.
- Two fundamental conditions drive this need for new investment:
 1. Deteriorating condition of assets as the FCRPS system ages
 2. Loads and usage of the system continue to increase
- The capital investment forecasts included in IPR, for all programs except the Fish and Wildlife program and CGS, reflect a 15 percent “lapse factor”, an assumption that in each year the investment will be 15 percent lower than the original program forecast. This recognizes the fact that not all projects are committed to and that not all projects are achieved on their original schedule.



Background – Pressures on Expense

- BPA is facing increasing pressure on its programmatic and operating expenses as well.
 - Generation operations and maintenance expenses are increasing, consistent with an Asset Management approach to an aging infrastructure.
 - Columbia Generating Station (CGS)
 - Hydroelectric System
 - Environmental obligations have continued to increase.
 - Litigation has resulted in a reexamination of the region's and BPA's obligations under the Endangered Species Act (ESA).
 - Global warming has emerged as an immediate issue.
 - Changing the mix of new generation
 - Renewable generation will put increasing pressure on the hydro system and the transmission grid.
 - More reliance on conservation as a resource



Expected Rate Impacts – Power FY 2009

- The WP-07 2009 Supplemental Rate Proposal included roughly a 4 percent rate decrease from current rates, driven by the proposed \$126 million decrease in Residential Exchange benefits.
- The changes between IPR proposed spending levels for FY 2009 and rate case forecast levels, disregarding changes in power purchases and in residential exchange benefits, are:
 - \$130 million increase compared against the FY 2009 spending levels included in current rates.
 - \$110 million increase compared against the FY 2009 expenses included in the WP-07 Initial Supplemental Proposal.
- It is likely that FY 2009 net secondary sales in the final FY 2009 rate proposal will be higher than those included in the Supplemental Proposal, providing an offset to the cost increases.
- Final decision on FY 2009 residential exchange benefits is still pending in the rate case.
- There is still much uncertainty about FY 2008 financial performance.
- Bottom line: FY 2009 rate level is still uncertain.



Drivers of Power Costs for FY 2009

Primary drivers of changes in FY 2009 costs relative to FY 2009 costs in the FY 2007-2009 Rate Proposal are:

- BPA's fish and wildlife costs \$38 million
 - net of 4(h)(10)(C) credits
- Energy Northwest's Columbia Generating Station (CGS) O&M \$51 million
(based on BPA modifications to EN Budget)
- Internal costs, both power's own internal costs and those Agency Services costs allocated to power \$13 million
- Hydro electric system O&M \$13 million
- Residential Exchange -\$126 million

New Information:

- Revised forecasts of Columbia River Fish Mitigation project capital investment for FY 2008 result in an expected additional increase in depreciation and interest of \$8 million above that included in the original IPR numbers



Power Expenses FY 2009 Rate Case & Proposed FY 2009

\$ thousands	2009 in WP-07 Rate Case	Supplemental Rate Case	Change between WP- 07 and Supplemental Rate Case	Current Forecast	Change between Current Forecast and Supplemental Rate Case	Total Change - WP-07 Rate Case to Current Forecast
Power Program	FY 2009	FY 2009	FY 2009	FY 2009	FY 2009	FY 2009
Columbia Generating Station O&M	242,842	274,342	31,500	293,700	19,358	50,858
Corps & Reclamation O&M for Hydro Projects	248,173	248,173	0	261,600	13,427	13,427
Long Term Generation Program	25,751	31,864	6,113	31,613	(251)	5,862
Power Purchases Incl DSI Monetized Power Sales	292,210	316,575	24,365	316,454	(121)	24,244
Residential Exchange Payments/Other Settlements	337,320	211,000	(126,320)	212,985	1,985	(124,335)
Renewables (incl rate credit)	41,917	53,414	11,497	43,955	(9,459)	2,038
Generation Conservation (including Conservation Rate Credit)	70,347	79,414	9,067	84,526	5,112	14,179
Internal Operations	126,941	126,941	0	140,307	13,366	13,366
Transmission Purchases, Reserve/Ancillary Services	177,525	177,515	(10)	176,073	(1,442)	(1,452)
Fish & Wildlife/USF&W/Planning C	173,353	173,367	14	229,439	56,072	56,086
Net Interest, Amortization, Depreciation, & Non Federal Debt	937,393	901,530	(35,863)	*	18,097	(17,766)
Other – Colville Settlement, Non-Operating Generation	24,649	21,049	(3,600)	27,413	6,364	2,764
Total	2,698,421	2,615,184	(83,237)	2,737,692	122,508	39,271
Total Increase/Decrease		(83,237)	(83,237)	122,508	205,745	

Determined
in rate case

Determined
in rate case

* was \$911,946. Increase is due to increased forecast of CRFM investment in FY 2008



Power Expenses

Actuals FY 2006-2007 & Proposed FY 2009-2011

\$ in Thousands	Actuals		SOY	Rate Case Average	Rate Case	IPR	IPR	IPR
	FY 2006	FY 2007	FY 2008	FY 2007-09	FY 2009	FY 2009	FY 2010	FY 2011
Power Program								
Columbia Generating Station O&M	228,317	276,409	231,431	231,753	242,842	293,700	269,200	365,000
Corps & Reclamation O&M for Hydro Projects	209,253	225,742	240,502	240,616	248,173	261,600	280,700	296,461
Long Term Generation Program	26,395	28,247	31,858	25,332	25,751	31,613	31,889	32,343
Power Purchases incl DSI								
Monetized Power Sales	499,057	272,414	215,811	273,773	292,210	316,454	327,189	404,795
Residential Exchange Payments/Other Settlements	156,167	340,247	303,000	336,960	337,320	212,985	221,426	220,445
Renewables (incl rate credit)	19,172	26,825	44,381	36,362	41,917	43,955	41,588	43,438
Generation Conservation (including Conservation Rate Credit)	74,500	72,113	82,983	71,035	70,347	84,526	87,088	86,722
Internal Operations	107,585	108,265	112,997	109,385	111,566	125,030	134,609	138,857
Pension & Post Retirement Benefits	11,600	10,550	9,000	11,641	15,375	15,277	15,598	16,071
Transmission Purchases, Reserve/Ancillary Services	184,783	164,046	172,982	176,869	177,525	176,073	176,393	177,043
Fish & Wildlife/USF&W/Planning C	166,496	167,131	172,066	172,276	173,353	229,434	263,541	270,618
Net Interest, Amortization, Depreciation and Non-Federal Debt Service **	848,119	788,124	875,180	919,336	937,393	919,627	939,738	989,341
Other – Colville Settlement, Non-Operating Generation	18,102	21,938	24,454	21,957	24,649	27,413	25,746	28,082
Total	2,549,546	2,502,050	2,516,645	2,627,295	2,698,421	2,737,687	2,814,705	3,069,216
Increase/Decrease *		(47,496)	14,595		181,776	39,266	77,018	254,511

Determined in rate case

Determined in rate case

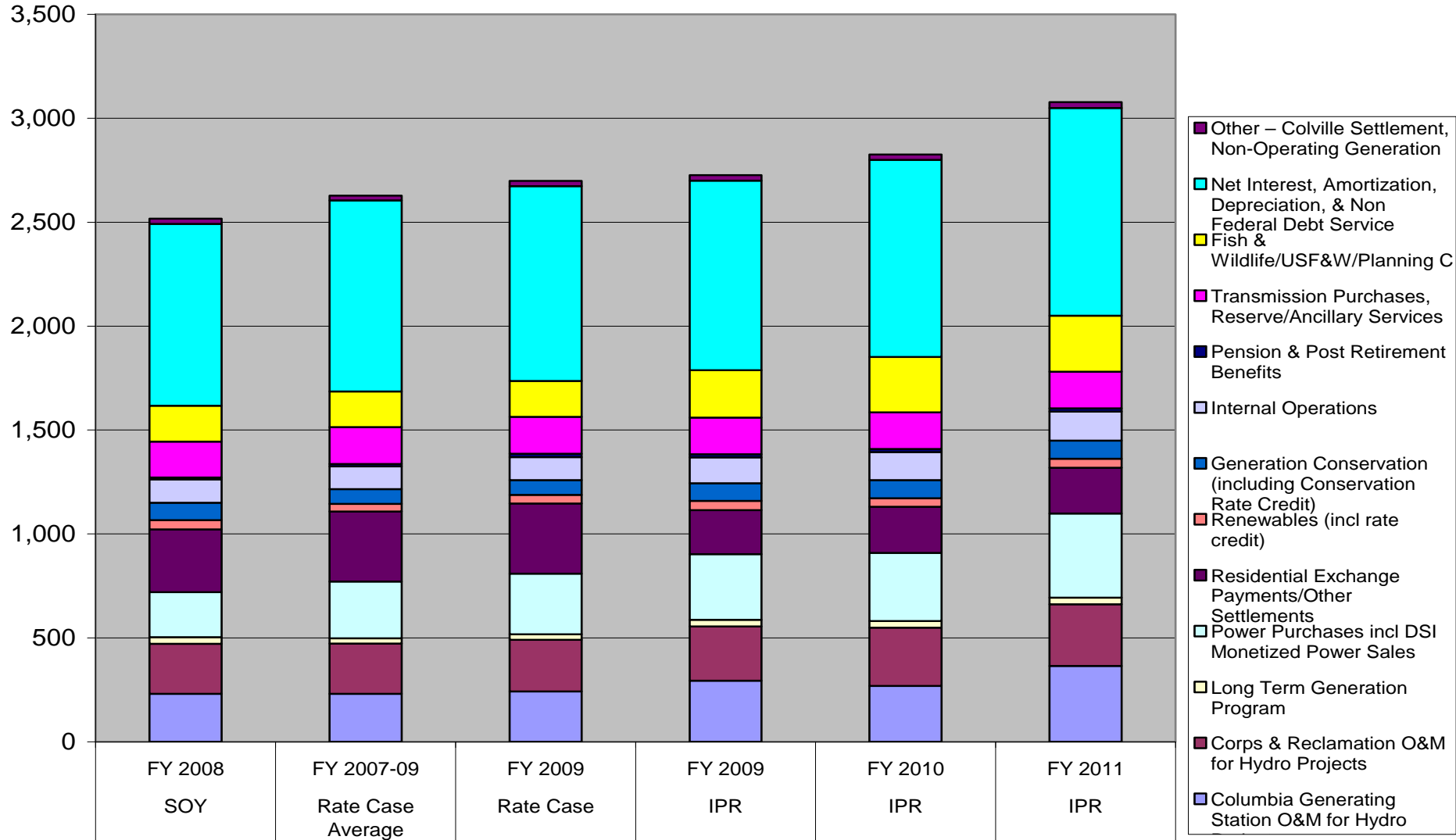
*For FY 2006-2008, Rate Case FY 2009, 2010 and 2011, change is from the prior year. For FY 2009 Forecast, change is calculated from "Rate Case".

** 2009-2011 were updated to reflect increased CREM investment



Power Expenses

(\$ Millions)





Ways to Participate

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 opens Thursday, May 15, 2008. Close of comment period for FY 2009 Power Costs is June 16, 2008. Close of comment period 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.



BPA's Financial Disclosure Information

- All FY 2009 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.