

May 2004

Bonneville Power Administration Power Business Line

Generation (PBL) Accumulated Net Revenue Forecast for Financial-Based Cost Recovery
Adjustment Clause (FB CRAC) and Safety-Net Cost Recovery Adjustment Clause (SN CRAC)
FY 2004 Second Quarter Review Forecast
\$ In Millions

		\$ In Millions
1	FY 2000 PBL Actual Net Revenue	\$252
2	<i>Energy Northwest Debt Service Adjustment for FY 2000</i>	(\$82)
3	<i>SFAS 133 Adjustment</i>	\$0
4	FY 2000 Actual Modified Net Revenue*	\$170
5	FY 2001 PBL Actual Net Revenue	(\$212)
6	<i>Energy Northwest Debt Service Adjustment for FY 2001</i>	(\$158)
7	<i>SFAS 133 Adjustment</i>	(\$48)
8	FY 2001 Actual Modified Net Revenue*	(\$418)
9	FY 2002 PBL Actual Net Revenue	(\$87)
10	<i>Energy Northwest Debt Service Adjustment for FY 2002</i>	(\$265)
11	<i>SFAS 133 Adjustment</i>	(\$38)
12	FY 2002 Actual Modified Net Revenue*	(\$390)
13	FY 2003 PBL Actual Net Revenue	\$243
14	<i>Energy Northwest Debt Service Adjustment for FY 2003</i>	(\$148)
15	<i>SFAS 133 Adjustment</i>	(\$55)
16	FY 2003 Actual Modified Net Revenue*	\$40
17	FY 2004 PBL Forecasted Net Revenue	\$222
18	<i>Energy Northwest Debt Service Adjustment for FY 2004</i>	(\$148)
19	<i>SFAS 133 Adjustment</i>	(\$28)
20	FY 2004 Forecasted Modified Net Revenue*	\$46
21	PBL Forecasted End of Year Accumulated Net Revenue for FY2000-2004 (ANR)	(\$552)

As defined in the GRSPs, FY 2004 ANR trigger point (threshold) for the CRACs is (\$264). The maximum amount FB CRAC can set to collect (cap) in FY 2005 is \$150 M; the cap for the SN CRAC in FY 2005 is \$290 million

*The term Modified Net Revenue was developed to distinguish between the official Income Statement Net Revenue and the FB CRAC single year adjustment referred to as Adjusted Net Revenue in the GRSPs.

Power Business Line FY 2004 Second Quarter Results

- PBL modified net revenues are projected to be \$46 million for FY 2004, compared to projections of \$129 million in the August 28 workshop and \$117 million at the end of the first quarter review. However, uncertainty remains regarding hydro and market conditions for the rest of the year, and BPA estimates that there is a 67 percent chance that modified net revenues for FY 2004 will end up between (\$64) million and \$156 million.

- The decline relative to the FY 2004 first quarter review is due primarily to the dry weather. When both runoff and market price changes are considered, the FY 2004 second quarter forecast of net secondary revenues is about \$90 million less than the forecast used in the first quarter review.
- The Northwest River Forecast Center's runoff forecast for January through July at The Dalles is now nearly 20 million acre-feet below the forecast used in the first quarter review. If this trend continues, this year will be another in a string of dry years, which are 77 percent of average and, together with the previous three years, would constitute the second driest four-year sequence in the 75-year record.
- The decline in volume runoff results in an increase in the estimate of 4(h)10(C) credits available to BPA at the end of FY 2004. These credits offset a small part of the forecasted decline in net secondary revenues.
- The Power Net Revenue Improvement Sounding Board is continuing its efforts to identify \$100 million in cost reductions and/or revenue enhancements for FY 2004-05. With its help, BPA has identified \$45 million (compared to the August 28 workshop) in reduced net interest expense and other costs for FY 2004 that are incorporated into this second quarter review.
- The Power Business Line's second quarter projection of accumulated net revenues for FY 2000-2004 is now (\$552) million, which is well below the FY 2004 threshold of (\$264 million) established in the August 28 workshop, and indicates a high likelihood of a Financial-Based and a Safety-Net CRAC for power rates in FY 2005.