



Power Function Review II CBFWA

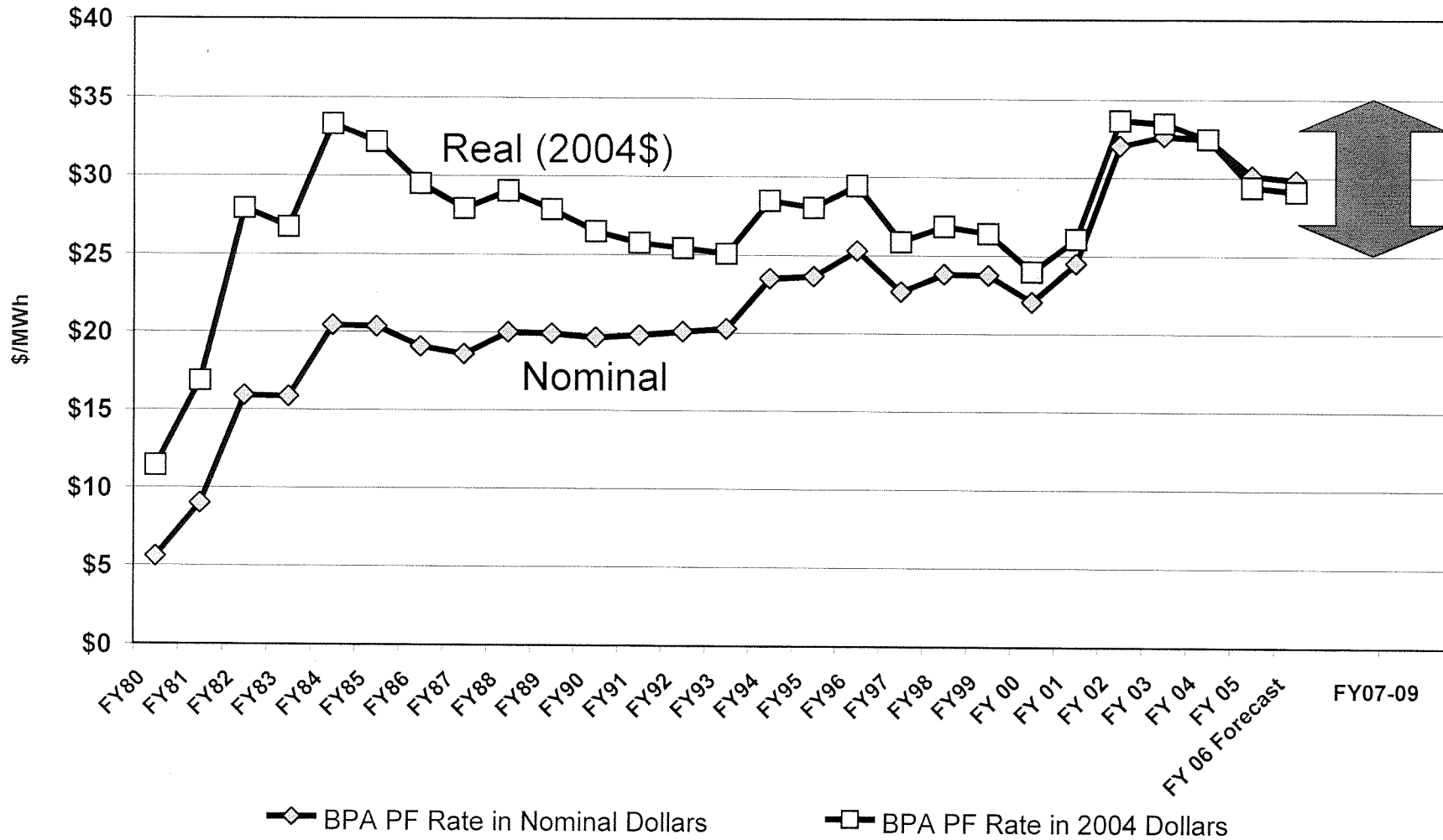
February 22, 2006

PFR II Purpose

To seek further cost reductions to make FY 07-09 power rates as low as possible while still meeting mission objectives.



1980-2006 BPA Power Rates





Major Power Cost Drivers: 1997-2001 vs. 2007-9

- BPA is serving 3000 aMW more public power load
- 2007-9 benefits to IOU residential benefits consumers are over \$300 million a year, vs. \$70 million in FY97-01
- Total fish and wildlife costs, not counting operation costs, up by approximately \$120 million a year
- Conservation program expense up about \$50 million a year
- Operations and maintenance costs for the hydro and nuclear plants are up about \$130 million annually, not including F&WL expense
- Debt service costs for the hydro and nuclear plants, conservation and F&W are up about \$60 million annually,



The Opportunities to Bring Rates Down

1. Improved Risk Management

- Better “Liquidity tools”: Potential \$2/MWh reduction

2. Increase Secondary Revenue Credits*

- Rough Rule of Thumb: \$46 M/year increase = \$1/MWh

3. Cost Reductions

- Rough Rule of Thumb: \$59 M/year cost reduction = \$1/MWh

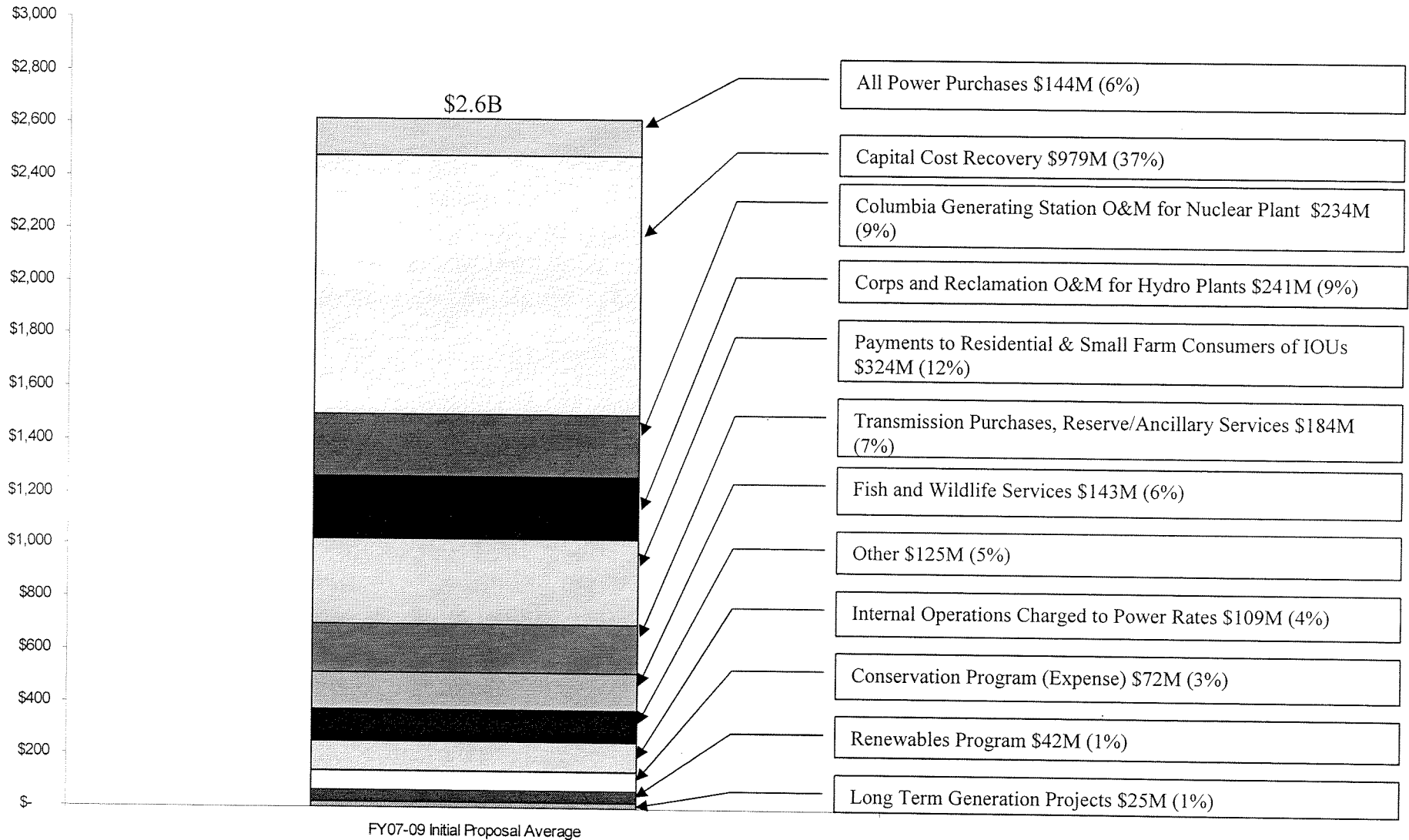
4. FY06 Net Revenue Increases

- Rough Rule of Thumb: \$125 M = \$1/MWh

*This would likely have an impact on Risk and PNRR which may offset potential savings



Average Annual Power Expenses for FY07-09





PFR II: Current Areas Of Priority Focus

Capital Recovery

- (-/+) Longer amortization period for conservation acquisition
- (-) Longer amortization period for fish and wildlife investments
- (-) Use BPA borrowing authority for land and water acquisitions for fish
- (-\$16M) Extend existing CGS debt to 2024
- (-\$1.5M) Longer maturity (to 2024) on debt for new CGS investments
- (-\$12M) Update to reflect 2005 actuals in repayment studies
- (+\$5M) Columbia River Fish Mitigation plant-in-service schedule -- DOD IG decision
- (+\$2.5M) Potential increases for deferred maintenance (capital)

CGS O&M

- (+\$14M) Potential increases for deferred maintenance (expense)
- (-) Consider increasing CGS generation forecast

Corps & Reclamation O&M

- (-/+) Benchmarking federal projects O&M against other regional hydro projects
- (-) Review process used to approve CRFM investments

Residential Exchange

None

Transmission expenses

- (-) Review transmission expense for secondary sales



PFR II: Current Areas Of Priority Focus

Fish and Wildlife

- (-/+) Re-examine timing for Snake River spill tests
- (-/+) F&WL Monitoring and Evaluation (M&E)

"Other"

- (-\$53M) DSI \$59 million annual support (\$53M/yr is expected value in I.P. with risk)
- (+) Review Spokane settlement status

Internal Operations

- (-) Examine potential for additional EPIP savings

Conservation

- (-) Consider conservation done by utilities "on their own nickel"
- (-/+) Increase BPA funding for conservation

Renewables

- (-\$7M) Remove Calpine geothermal costs from 2009
- (+\$4M) Consider increasing facilitation costs

Long Term Generating Projects

None



What's Next – PFR II Process

- Technical and Managerial Workshops Feb – Apr 2006
- Draft Closeout Report out for comment March 2006
- Final Report April 2006
- Incorporate in Final Rate 2007-9 Rate Proposal July 2006



BPA Financial Disclosure Information

1. All FY '06-'09 information was provided in January 2006 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 '97-'05 information was provided in January 2006 and is consistent with audited actuals that contain BPA-approved Agency Financial Information.

