

Financial Choices 9/10/02 Workshop Follow-Up Questions

Columbia Generating Station (WNP-2)

1. On page 3 of the handout, why is the 61 aMW valued at 19 mills/Kwh, instead of the market price and is this consistent with the assumptions presented in the Financial Choices Packet?

The 19 mills/Kwh was based on estimated market prices in the Spring and is not consistent with other market price assumptions in the Financial Choices Packet. Bonneville will review its cost and revenue estimates.

2. Develop a table that compares the Rate Case revenue forecast vs. current forecast that includes outage, generation shaping and other assumptions behind each forecast.

Columbia Generating Station
Comparison of Rate Case vs. Current Estimate
Bonneville Fiscal Years

RATE CASE FORECAST	2002	2003	2004	2005	2006
Outage	No	Yes	No	Yes	No
Outage Length (days)		45		45	
Generation - MWa *	1,000	875	1,000	875	1,000
Generation - GWh	8,760	7,665	8,760	7,665	8,760
Value per - GWh (mills)	20	20	20	20	20
Revenue (thousands)	\$175,200	\$153,300	\$175,200	\$153,300	\$175,200
CURRENT FORECAST					
Generation - MWa (additional 61 MWa per year)**	1,061	936	1,061	936	1,061
Generation - GWh	9,294	8,199	9,294	8,199	9,294
Value per - GWh (mills)	20	20	20	20	20
Value of 61 MWa (mills)	19	19	19	19	19
Revenue (thousands)	\$185,353	\$163,453	\$185,353	\$163,453	\$185,353

Assumptions: Columbia has 45 day refueling outages every other year.

*Columbia operates at capacity factors of about 76% during outage years and 86% during non outage years, based on a winter peak of 1150 MW output.

**Additional generation due to revised generation forecasts.

Corps of Engineers O&M/Bureau of Reclamation O&M

3. How large is the Daishowa load, and does our requirement to serve that load end and if so when?

The mill (Daishowa) owned both of the power plants prior to the sale of these facilities to the National Park Service. BPA's obligation to serve the mill load was written into the Elwha Restoration Act (Public Law 102-495). The language in the Act states that BPA is required to provide "replacement power for the plants at the PF rate". It does not specify a termination date.

4. What is the price assumption in the (\$7.5M) in revenue offset?

A shaped, undelivered PF rate of 30 \$/MWh was assumed at the time of the revenue offset forecast.

5. Breakout of the (\$7.5M) in revenue offsets by category (i.e. Green Springs, Elwah, Glines).

Green Springs = \$1.8M, Elwah/Glines = \$3.7M, efficiency improvements = \$2M.

6. What is the increase in output (generation) from the Rate Case for the Corps and Bureau and its value at market prices along with any cost/benefit analysis that supports these investments?

Still working on response – may not be completed by September 30.

7. Is the \$69M increase of F&W costs new spending or a re-allocation from another line item? If so, what is that line item?

It is not a re-allocation from another line item, neither is it new spending. The \$69M represents where costs will hit. The rate case assumed a wide range of cost risks that resulted from the 13 F&W alternatives. At the time, because we used an expected value in the revenue requirement, this cost was captured in our Planned Net Revenues for Risk (PNRR) and was not reflected in a specific budget line item.

8. For the \$20M performance incentive payout listed on page 3 of the handout, describe the benefits, and consequences of cuts/elimination of payout.

The adoption of performance incentives as part of the direct funding agreements is an integral part of the overall business model for managing the generating assets of the FCRPS. The performance incentives are directly tied to the accomplishment of the performance targets. This practice is consistent with the Cost Review recommendations. BPA, the Corps and Reclamation have set targets in a variety of areas that have helped to improve the overall availability of the system, for example, from 82% to 88%. This increase alone is worth \$37 million per year. We expect to continue to use performance targets and related performance

incentives to extract more value from the FCRPS generating assets. Additionally, if targets are not met, a performance incentive payout is not made. Cuts or elimination of performance incentive payouts would negatively affect our ability to execute this business model and would reduce the benefits and increased performance we've achieved for the system.

9. FTE projections related to power for the Corps and Reclamation:

- a. Corps of Engineers: 567 FTE for the Hydropower Business Function and includes staff at Northwestern Division Headquarters, Portland District, Seattle District and Walla Walla District. This does not include FTEs for activities outside the hydropower specific business function.
- b. Bureau of Reclamation: 575 total FTE's allocated to power which includes FTEs charging directly to power, FTEs associated with multipurpose functions and administrative support staff.

10. Break out of hatchery costs from total forecasted fish related O&M costs for the Corps.

The forecast for BPA direct funded fish related O&M out of the total Corps forecasted budget is \$37M in FY03. About 4.9% of this represents forecasted hatchery costs.

11. Breakdown and reasons for the reduction of \$160M in 4(h)(10(C) credits.

	Current estimate of 4h10c credit	May 2000 estimate of 4h10c credit	Delta May 2000 estimate of 4h10c credit
	<i>\$ in M</i>		
FY2002	47	88	(42)
FY2003	58	91	(33)
FY2004	62	91	(29)
FY2005	63	93	(30)
FY2006	65	95	(31)
Total	\$ 294	\$ 458	\$ (164)
03-06 total	\$ 248	\$ 370	\$ (122)

The total reduction in 4h10c credits of \$164 million over the rate period comes from the following sources:

- 1. A drop in capital/direct expenditures of \$100 million. This results in a credit reduction of \$25 million.
- 2. A drop in operational costs of \$275 million from two sources:
 - a. Average reduced market prices of \$10/MWh account for \$43 million credit reduction.
 - b. Average reduction of MWs of purchases accounts for \$25 million credit reduction.
- 3. Reduction in allocation percentage from 27% to 22.3% results in a credit reduction of \$71 million.

12. Comparison of current versus Rate Case depreciation dollars for both the Corps and the Bureau.

Depreciation Dollars for Corps of Engineers and Bureau of Reclamation, Rate Case vs. Current Forecast

	2002		2003		2004		2005		2006	
	Rate Case	Current Forecast								
Corps	73,329	65,480	75,497	69,655	78,292	71,232	81,258	73,313	83,620	76,159
Bureau	19,470	20,020	20,043	21,651	20,535	22,787	21,009	24,067	21,516	25,660

PBL Efficiencies

13. What is the expected range in annual FTE savings from implementing all PBL Efficiencies projects and is this number reflected in future budgets?

We do not anticipate staffing decreases from our present levels. Given expected staffing increases associated with implementing new initiatives (like RTO/SMD), any staffing gains from Efficiencies Program projects are probably better characterized as reducing the number of staff who will need to be added, rather than decrementing current levels. Based upon our current projections, implementation of the new Transaction Scheduling System and Columbia Vista hydro-system scheduling and planning model is expected to achieve staffing efficiencies of between 23 and 25 FTE. These probably will not be fully realized until approximately 2006, and their impact upon absolute staff numbers will be determined by our business requirements at that time.

Administrative and Support Services (Corporate)

14. Current and forecasted FTE associated with BES?

BES is currently at and forecasted to be at 31 FTE for FY 2003 and all future years.

15. Actual costs (contract and FTE) related to increased security?

BPA security staff has increased by 5 FTE and other costs increased by approximately \$700,000 due to additional security contract costs (this covers HDQS, Ross and Celilo). BPA also anticipates increased costs in future years associated with system security enhancement efforts related to critical infrastructure protection. Exact amounts in these future years are subject to change, are critical to the Pacific Northwest, and by their nature are sensitive.

16. Breakdown and reasons for increases in FTE from FY01 to FY02 to FY03.

Driven by competitive pressures to minimize costs and rates, BPA staffing decreased by over 27 percent from the middle of FY 1994 to the end of FY 1999. This was accomplished through radical reorganization and reengineering, doubling spans of control and reducing

management by 60 percent. In some cases, BPA went too far—cutting too deeply or not anticipating the change in volume and complexity of work dictated by a changing electric industry. In FYs 2000 and 2001, BPA and the entire industry began to question the adequacy of the electricity infrastructure of the West Coast. As a result, BPA initiated a significant ramp-up in key program areas, including a heavy focus on maintaining and enhancing the critical infrastructure in the region. In the past two years, BPA has seen a large increase in the use of overtime and compensatory time, indicators of the stress being placed on BPA staff. Staffing levels are growing from the low in FY 1999, but are still below the mid-1994 peak. BPA expects further, but modest increases until the workload and workforce peak as part of the infrastructure program. Below is a table showing the changes in the Corporate workforce arising from these general pressures on BPA.

Organization	Change from the beginning of FY 2001 to the beginning of FY 2003 *
Office of Administrator	+1
Office of Deputy Administrator (does not include Environment, Fish and Wildlife)	+16
Office of Chief Operating Officer	+29
Employee and Business Resources	+15

* Note: This analysis differs slightly from the figures presented on September 10, which showed a comparison from the end of FY 2001 to the end of FY 2003.

17. Dollars associated with the seven drivers of increased Corporate G&A costs located on page 3 of the handout.

The seven drivers on page 3 are examples of the increased workload that have put upward pressure on Corporate costs over the last few years. The increases in Corporate costs are due only to the combined effects of additional workload and price escalation. BPA does not collect actual results or budget by a disaggregation of individual cost drivers.

18. List of mechanisms that Corporate has in place to enforce new budgets

Each senior vice president at BPA has an annual performance contract, which contains a cost target. Senior vice presidents are held accountable through this mechanism and receive periodic performance reviews by the COO.

Shared Services

19. List 2000 actuals for the five categories on page 1 of the handout.

Information Services	\$3.6 M
Personnel Services	.9 M
Workplace Services	6.0 M
Purchasing Services	<u>.6 M</u>
Total	\$11.1 M

Updated 9/25/02

DRAFT: This material is provided for informational purposes only and may not be used as evidence in future proceedings.

20. List of mechanisms that Shared Services has in place to enforce new budgets.

Requirements (service levels) are determined by the clients. Forecasted cost targets are established by the Shared Services Board of Directors, based on those client requirements. Cost levels are monitored and adjusted as appropriate by the Shared Services Board of Directors.

- Monthly meetings with Shared Services Board of Directors, where costs are addressed.
- Cost targets monitored by the Vice President and Shared Services Leadership Team monthly.