



Customer Workshop
February 13, 2003

What Happened Since Financial Choices That Led to a Projected Net Revenue Loss of about \$900M for FY02-06?

BPA Power Net Revenues Very Rough Estimates

Line		Dollars in Millions	
1	FY02-06 Net Revenue Gap (from August 2002 with FY02 Actuals)		(\$1,200)
2	1. Actions Already Taken To Reduce Overall Rates (e.g., Expense Reductions, Expense Deferrals & Cash Increases)	\$350	\$300
3	2. Additional Revenue if FY04-06 Rates Kept at FY02 Level (Estimated)		\$550
4	New Net Revenue Gap - FY02-06		(\$350)
		Additional Potential Cost Reductions - PBL	Achieved or Close
5	Additional Actions that Reduce Overall Rates & Close the Gap		
6	Settlement of Litigation over IOU Residential Benefits	\$200	\$0
7	More Cost Effective Fish Recovery Program (\$160M total)	\$80	\$80
8	Additional Energy Northwest Cost O&M Reduction	\$50	\$0
9	Power Resource Contract Renegotiation	\$30	\$0
10	Additional Overall Debt Service Reduction	\$140	\$0
	Subtotal	\$500	\$80
11	New Net Revenue Gap - FY02-06		(\$270)
12	Additional Losses in FY03 Due to Reduced Hydro Supply & Other Changes (Estimated)		Expected FY03 Hydro Conditions (\$200)
13	Changes in 4(h)(10)(C) and FCCF Fish Credits (Estimated)		Changes to FY02-06 Revenue Forecast \$100
14	Reduction in Hydro Supply in FY04 Due to Below-Average Hydro Conditions in FY03 Reduction in Secondary Revenue Forecast for FY04-06, and Other Changes (Estimated)		(\$550)
15	New Net Revenue Gap - FY02-06		(\$920)

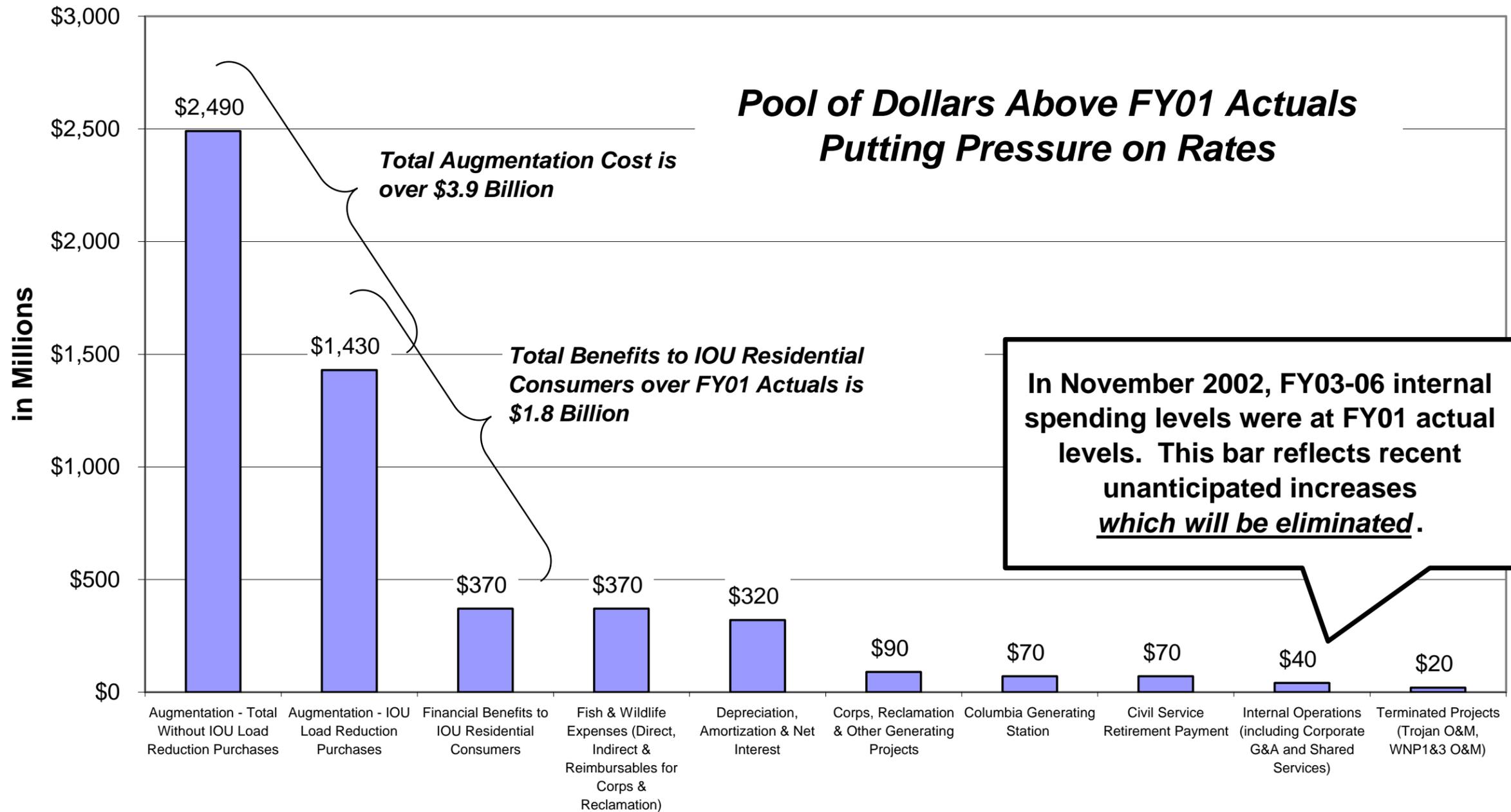
Expense Reductions, Expense Deferrals & Cash Increases

Expense Reductions & Deferrals Only

We embedded \$80M in our analysis already - we have a goal of another \$80M left to secure per Steve Wright's letter

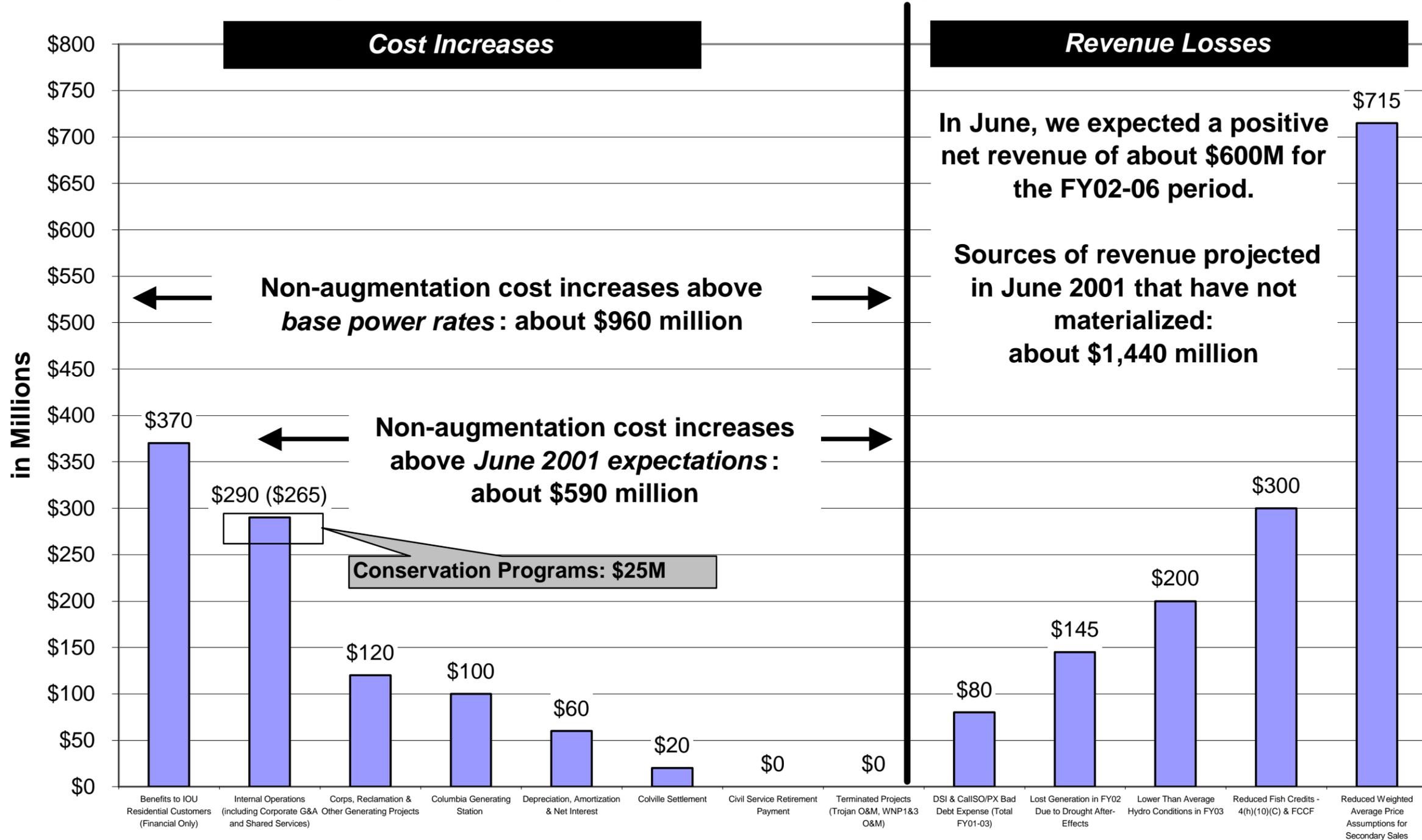


Graph 1
Why are Rates Higher Today than Over the Last Rate Period?
Total Pressure: About \$5.3 Billion
5 Year Totals





Graph 2
Why is the PBL Losing Money?
Current Projections Compared to June 2001 Expectations - 5 Year Totals





What Happened Since June 2001 That Led to a Projected Net Revenue Loss of about \$900M for FY02-06?

Line	Notes	Dollars in Millions
1	As noted in Graph 2	June 2001 Net Revenue Projection for FY02-06 (Approximate) \$ 600
2	From Graph 2	Current Expense Projection is up from June 2001 for FY02-06 (Approximate) \$ (590)
3	Sum of Lines 1 and 2	The increase in expenses (current projection) relative to June 2001 roughly offsets the positive net revenue we expected in June 2001 for FY02-06 \$ 10
4	From Graph 2	Current Expected Revenue Losses Compared to June 2001 Projection (Rough Estimate) \$ (1,440)
5	Sum of Lines 5 and 6	Current Revenue Sources Prior to SN CRAC (Rough Estimate)
6		Slice True-up Estimates FY02-06 \$ 300
6		FBCRAC Estimates FY03-06 \$ 400
7	Sum of Lines 5 and 6	Total Revenue Sources \$ 700
8	Sum of Lines 4 and 7	Net Revenue Losses Prior to SN CRAC for FY02-06 by Simply Comparing the Rough Net Revenue Loss from June 2001 and the Major Categories of Expense Increases \$ (740)

The \$370M of benefits to IOU residential customers was known in June 2001. The \$370M is embedded in the June 2001 projected net revenues of \$600M for the FY02-06 period. That is, the net revenue projection in June 2001 would have been about \$970M absent the increase in benefits to IOU residential customers of \$370M.

This is prior to implementing the SNCRAC and is simply meant for illustration purposes only. We have said that taking everything into consideration (all the moving parts) this gap is in the range of \$(900)M. To put this in context, the difference between a \$(740)M gap and a \$(900)M gap is \$160M or about \$32M per year over the 5 year period on a \$3 billion budget (about 1%)!



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Notes Pages

Internal Operations Includes:

- Shared Services
- Corporate G&A
- PBL Efficiencies Program
- Information Technology
- Generation Project Coordination
- Operations Scheduling
- Operations Planning
- Slice Implementation
- Sales & Support
- Public Communication & Tribal Liaison
- Strategy, Finance & Risk Management
- Human Resource Management
- Conservation-related:
 - *Conservation Support*
 - *Energy Efficiency Development*
 - *Energy Web*
 - *Legacy Conservation & Low Income Weatherization*
 - *Market Transformation*
 - *Sponsored Energy Initiatives (Technology)*

Calculations for Revenue Losses:

- Lost Generation in FY02 Due to Drought After-Effects:
 - Quantity: about 600 aMW
 - Rough Price Estimate Based on FY02 Actual Committed Sales: \$27.5/MWh
 - Impact: about \$145M
- Lower Than Average Hydro Conditions in FY03:
 - Quantity: about 800 aMW (could be more!)
 - Rough Price Estimate: \$29/MWh
 - Impact: about \$200M
- Reduced Weighted Average Price Projections for Net Secondary Sales for FY02-06, Current Projections Compared to June 2001 Projections
 - Quantity: 1720 aMW – the PBL's Net Average Remaining System Output after Slice Projected in June 2001
 - Rough Price Estimate Current Projections Compared to June 2001 Projections: \$ -9.5/MWh
 - Impact: about \$715M



Calculations for Expense Increases:

Graph 1:

- Basic calculation: (Current average annual expense levels for FY02-06) - (FY01 actual expense level) * 5
- Fish and wildlife programs held in the Corps, Reclamation, Planning Council & US Fish & Wildlife budgets were removed and placed in the Fish and Wildlife category along with \$18M/year in incremental lost revenue from changes in hydro operations
- CGS: (Current average annual expense levels for FY03-06) - (FY00-01 average actual expense level) * 5 to account for equal number of outage/non-outage years
- Certain programs reflect offsetting revenues resulting from increases in expenses.

Graph 2:

- Basic calculation: (Rate Case average annual expense levels for FY02-06) – (Current average annual expense levels for FY02-06) * 5
- CGS: (Rate Case average annual expense levels for FY03-06) – (Current average annual expense levels for FY03-06) * 5 due to the change to a 2 year refueling cycle
- DSI & CallSO/PX Bad Debt Expense = FY01-FY03 total amount
- Fish and wildlife programs held in the Corps & Reclamation budgets were not removed for either the current or rate case projections
- In certain rate case expense categories, the risk of achieving these levels were contemplated through the non-operating risk model and are reduced by that amount in this graph.
- Certain programs reflect offsetting revenues resulting from increases in expenses.

Fish Credits (\$ in Millions)

4(h)(10)(C)						
	May 2000	June 2001	Trigger Study FY2003	June 2001 v May 2000	Trigger v May 2000	Trigger v June 2001
FY 2002	\$ 88	\$ 215	\$ 38	\$ 127	\$ (50)	\$ (176)
FY 2003	\$ 91	\$ 121	\$ 124	\$ 30	\$ 33	\$ 3
FY 2004	\$ 91	\$ 103	\$ 67	\$ 12	\$ (24)	\$ (36)
FY 2005	\$ 93	\$ 106	\$ 67	\$ 13	\$ (26)	\$ (39)
FY 2006	\$ 95	\$ 108	\$ 67	\$ 13	\$ (28)	\$ (41)
Total	\$ 458	\$ 653	\$ 363	\$ 195	\$ (95)	\$ (290)

FCCF						
	May 2000	June 2001	Trigger Study FY2003	June 2001 v May 2000	Trigger v May 2000	Trigger v June 2001
FY 2002	\$ 51	\$ 30	\$ -	\$ (21)	\$ (51)	\$ (30)
FY 2003	\$ 33	\$ 24	\$ 69	\$ (9)	\$ 36	\$ 45
FY 2004	\$ 23	\$ 16	\$ 3	\$ (7)	\$ (20)	\$ (13)
FY 2005	\$ 16	\$ 10	\$ 2	\$ (6)	\$ (15)	\$ (9)
FY 2006	\$ 7	\$ 5	\$ 1	\$ (2)	\$ (6)	\$ (4)
Total	\$ 130	\$ 85	\$ 74	\$ (45)	\$ (56)	\$ (11)

Total Fish Credits						
	May 2000	June 2001	Trigger Study FY2003	June 2001 v May 2000	Trigger v May 2000	Trigger v June 2001
FY 2002	\$ 140	\$ 245	\$ 38	\$ 106	\$ (101)	\$ (207)
FY 2003	\$ 124	\$ 145	\$ 193	\$ 21	\$ 69	\$ 48
FY 2004	\$ 113	\$ 119	\$ 70	\$ 6	\$ (44)	\$ (49)
FY 2005	\$ 109	\$ 116	\$ 68	\$ 7	\$ (41)	\$ (48)
FY 2006	\$ 102	\$ 113	\$ 68	\$ 11	\$ (34)	\$ (45)
Total	\$ 588	\$ 738	\$ 437	\$ 150	\$ (151)	\$ (301)