

# Financial and Safety-Net Cost Recovery Adjustment Clause Workshop

Thursday, August 14, 2003  
9:00 a.m. to 4:00 p.m.  
Rates Hearing Room

*This is a revised version of the packet presented at the Aug. 14<sup>th</sup> workshop. The numbers in this packet are preliminary. The final numbers will be presented at the August 28, 2003 workshop.*

# Items for Discussion

## **Introduction**

### **Changes since the Final Proposal**

- Pro Forma
- Expense Reductions
- Secondary Revenue
- Slice True-Up
- ANR and Financials for FB/SN CRAC 2003

### **Calculation of FB/SN CRAC Rate Adjustments**

- Contingent Recalculation
- Variable Calculation
- FB/SN CRAC rates
- FB/SN CRAC rates with Settlement

## **Next steps**

# Preliminary Third Quarter Review

- Pro Forma Hand Out

# FY 2003 Expense Reductions From The SN 03 Rate Case

	FY03 SN CRAC Forecast	FY03 Preliminary 3 <sup>rd</sup> Quarter Review Forecast	Delta
PBL and Corporate Internal Operations	\$67,959	\$65,734	(\$2,225)
Augmentation Power Purchases	\$783,084	\$769,646	(\$13,438)
Power Generation	\$425,230	\$420,141	(\$5,089)
Renewable Projects	\$24,702	\$20,283	(\$4,419)
Fish & Wildlife	\$150,547	\$145,725	(\$4,822)
Conservation & Renewable Discount	\$37,000	\$34,800	(\$2,200)
Non-Federal Debt Service	\$593,281	\$585,654	(\$7,627)
Depreciation/Amortization/ Net Interest	\$362,764	\$361,142	(\$1,622)
<b>Total Expense Reductions</b>			<b>(\$41,442)</b>

# Secondary Revenue

Summary of Revenues (3<sup>rd</sup> Quarter Review)

<b>FY 2003</b>	<b>Dollars</b>	<b>Price</b>	<b>aMW</b>
Total Sales	\$ 755,035,000	\$ 35.60	2,421
Total Purchases	\$ 194,493,000	\$ 37.13	598
Net Reveunue	\$ 560,542,000	\$ 35.10	1,823

Summary of Revenues (Final Study)

<b>FY 2003</b>	<b>Dollars</b>	<b>Price</b>	<b>aMW</b>
Total Sales	\$ 725,945,000	\$ 38.08	2,176
Total Purchases	\$ 164,928,000	\$ 35.86	525
Net Reveunue	\$ 561,017,000	\$ 38.79	1,651

# Secondary Revenue

Summary of Revenues (Delta)

FY 2003	Dollars	Price	aMW
Total Sales	\$ 29,090,000	\$ (2.48)	245
Total Purchases	\$ 29,565,000	\$ 1.27	73
Net Revenue	\$ (475,000)	\$ (3.69)	172

MAF

Study	Jan - Jul	Apr - Sep
Final Study 1/	90.2	82.4
3rd Quarter Review 2/	89.3	81.4

1/ Based on RFC's May FF

2/ Based on RFC's July FF

•The January to July final observed runoff for the Columbia River at The Dalles Dam is 87.7 million acre feet. This data from the National Weather Service and the River Forecast Center puts 2003 at the 18th lowest in the 74 years of record keeping.

•January to July is only part of the water year, which officially runs from Oct. 1 to Sept. 30. The projected 2002-2003 water year — based on observed data for October 2002 to July 2003 and forecasts for August and September — is 107.7 maf, which would be the 16th lowest on record.

August 14, 2003

# Slice True-Up Forecast

Third Quarter Review vs. SN-03 Final Proposal Forecast

August 14, 2003

	FY 02	FY 03	FY 04	FY 05	FY 06
Final Proposal Slice True-Up	\$51 million (actual)	<b>\$17 million</b>	<b>\$52 million</b>	<b>\$69 million</b>	<b>\$68 million</b>
Third Quarter Review Forecast		<b>- \$28 million</b>	<b>\$39 million</b>	<b>\$69 million</b>	<b>\$68 million</b>
ENW debt service expense difference		- \$163 million	- \$57 million	No change	No change
Other differences <u>1/</u>		- \$35 million	No change	No change	No change
Total difference		- \$198 million	- \$57 million	No change	No change
Change in Slice True-Up is 22.6 percent of the total difference		- \$45 million	- \$13 million	No change	No change

Notes:

1/ Includes changes to PBL expenses, Revenue Credits, and CR&D, LDD, and Irrigation Mitigation program costs. Some PBL expenses are not included in the Slice Revenue Requirement, such as Hedging/Mitigation, Power Purchases, Augmentation, TBL Transmission & Ancillary Services, 3<sup>rd</sup> Party Transmission & Ancillary Services.

# Accumulated Net Revenues

		FY 2003 Preliminary 3 <sup>rd</sup> Quarter Review Forecast
1	FY 2000 PBL Actual Net Revenue	\$252
2	Energy Northwest Debt Service Adjustment for FY 2000	(\$82)
3	SFAS 133 Adjustment	\$0
<b>4</b>	<b>FY 2000 FB CRAC Actual Net Revenue</b>	<b>\$170</b>
5	FY 2001 PBL Actual Net Revenue	(\$212)
6	Energy Northwest Debt Service Adjustment for FY 2001	(\$158)
7	SFAS 133 Adjustment	(\$48)
<b>8</b>	<b>FY 2001 FB CRAC Actual Net Revenue</b>	<b>(\$418)</b>
9	FY 2002 PBL Actual Net Revenue	(\$87)
10	Energy Northwest Debt Service Adjustment for FY 2002	(\$265)
11	SFAS 133 Adjustment	(\$38)
<b>12</b>	<b>FY 2002 FB CRAC Actual Net Revenue</b>	<b>(\$390)</b>
13	FY 2003 PBL Forecasted Net Revenue	\$228
14	Energy Northwest Debt Service Adjustment for FY 2003	(\$157)
15	SFAS 133 Adjustment	(\$46)
<b>16</b>	<b>Benefits to Investor-Owned Utilities Adjustment</b>	<b>\$0</b>
<b>17</b>	<b>FY 2003 FB CRAC Forecasted Net Revenue</b>	<b>\$25</b>
<b>18</b>	<b>PBL Forecasted Accumulated Net Revenue (ANR)</b>	<b>(\$613)</b>

# Changes from BPA's SOY Reserve Level to the 3rd Quarter Review Forecast Level

## FY 2003 Agency Reserves

(\$ in Millions)

<b>BPA's FY 2003 Start of Year Reserves</b>	<b>\$188 M</b>
• Agency net revenues (PBL = \$24.5 M, TBL = \$0.3)	\$25 M
• Residential Exchange Deferral	\$55 M
• Depreciation in Excess of Planned Fed. Debt Amortization	\$122 M
• Rate Case ENW Debt Service	\$566 M
Less Actual FY 2003 ENW Debt Svc	(\$109 M)
Less Advanced Fed Debt Amort.	(\$315 M)
	\$142 M
• Enron Settlement (Payment deferred until Dec. 2003)	\$12 M
• Slice True-up (FY 2003 accrual payable in FY 2004)	\$28 M
• Non-Cash Interest Adjustments (Capitalization Adj.)	(\$63 M)
• ENW Net Billing Lag	(\$26 M)
• All Other	(\$23 M)
<b>BPA's FY 2003 Ending Reserves (3rd Quarter Review)</b>	<b>\$460 M</b>

# Cash Tools and Deferrals Used During FY 2003 that Increase EOY Reserves

■ ENW Reserve Fund Free-ups	\$82 M
■ Residential Exchange Deferral	\$55 M
■ Bank of America Settlement	\$22 M
■ FY 2003 Slice True-up	\$28 M
■ <u>Enron Settlement Payment</u>	<u>\$12 M</u>
■ <b>FY 2003 TOTAL</b>	<b>\$199 M</b>

# **Calculation of FB/SN CRAC Rate Adjustments**

# Rates Calculation Overview

<p><b>STEP 1: Contingent Calculation</b> Calculate FB and SN CRAC Thresholds and SN CRAC Caps</p>	<p><b>STEP 2: Variable Calculation</b> Calculate ANR and Actual FB and SN CRACs</p>
<p>Contingent calculation takes into account:</p> <ol style="list-style-type: none"> <li>1. Reductions in forecasted budgets for FY 2004-2006 in Internal Operations; CGS, Corps, Bureau O&amp;M; Fish &amp; Wildlife costs</li> <li>2. Actual and forecasted changes in PBL Net Revenues for FY2003 due to changes in hydro conditions or market prices</li> <li>3. IOU/Public Settlement</li> </ol> <p><i>Using Final Study ANR, revised with above changes, calculate new Thresholds and Caps</i></p>	<ol style="list-style-type: none"> <li>1. Calculate ANR using full set of 3<sup>rd</sup> Qtr. Review results (e.g., all changes in Net Revenues)</li> <li>2. Calculate FB CRAC percentage</li> <li>3. Calculate SN CRAC percentage</li> </ol> <p><i>Using caps and thresholds from Step 1, and 3<sup>rd</sup> Quarter Review forecast of 2003 ANR, calculate 2004 FB CRAC and SN CRAC percentages.</i></p>
<p>* If a settlement is completed by <b>September 15, 2003</b>, BPA will revise the thresholds and cap calculation to account for settlement and set the '04 rates accordingly. (Described in slide X)</p>	

# Contingent Recalculation

- Essentially a tune-up of Final Studies calculations.
- This step is "synthetic" – mix of old and new data.
- Recalculates SN caps, FB & SN thresholds for:
  1. Changes in 2003 NR due to hydro/market;
  2. Reductions in 2004-6 O&M (Corps, Bureau, F&W, ENW, internal operations), if any; and
  3. IOU-Public settlement, if any.
- The only changes made were for #1, hydro/market
  1. Replace several months' of forecasted data with actuals
  2. Reduced standard deviation of distribution (reduced uncertainty)
- Results
  1. SN CRAC caps dropped from \$320M to \$305M (2004 – 06)
  2. FB/SN threshold for 2004 increased from -\$378M to -\$377M

## Cont. Recalculation – Starting Point

- FB & SN CRAC parameters and results from SN-03 Final Studies

SN-03 Final Study #3, BPA's Proposal: Variable, Flat SN CRAC, 80% TPP   BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_187_SN-03_FS#3_BPA-Prop_Variable_Flat_SNN_24-Jun-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	87	141	228	408	94%	85%	351
2005	74	165	239	361	86%	TRP	06 Reserves
2006	86	155	240	351	80%	-139	113
Avg./Tot	246	460	707		'04-06 TPP	'02-06 NR	06 PBL Rsrvs
	FB%	SN%	FB+SN%	FB+SN+LB%	Rate% over 2003	Thresh	Cap
2004	11.1%	15.0%	26.0%	51.4%	3.57%	-378	320
2005	9.1%	17.0%	26.0%	54.0%	5.35%	-204	320
2006	10.3%	15.7%	25.9%	54.3%	5.52%	-161	320
Avg./Tot	10.1%	15.9%	26.0%	53.2%	4.81%		

# Cont. Recalculation – Step 1

- Determine size of SN CRAC caps
  1. Use fixed (pre-determined) SN CRAC \$ for all three years.
  2. Use FB & DDC thresholds from May 2000 rate case.
  3. Adjust SN CRAC \$ till FB% + SN% same for all three years, and TPP = 80%.
  4. Caps will be equal to average SN \$ + \$100M (to nearest \$5M).

Run 1: Final Contingent run, fixed SN, 80% TPP for cap sizing   BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_190_Run-1_Cont-Fixed-SN_80%_13-Aug-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	95	163	258	439	96%	82%	479
2005	56	219	275	434	86%	TRP	06 Reserves
2006	49	234	283	479	80%	-5	
Avg./Tot	200	616	816		'04-06 TPP	'02-06 NR	
	FB%	SN%	FB+SN%	FB+SN+LB%	Rate% over 2003	Thresh	Cap
2004	12.2%	17.3%	29.5%	54.6%	5.77%	N/A	N/A
2005	6.9%	22.6%	29.5%	57.4%	7.66%	N/A	N/A
2006	5.8%	23.7%	29.5%	57.8%	7.95%	N/A	N/A
Avg./Tot	8.3%	21.2%	29.5%	56.6%	7.13%		

## Cont. Recalculation – Step 2

- Determine thresholds used for both SN and FB.
  1. Use caps calculated in Run 1.
  2. FB thresholds = SN thresholds; Rebate thresholds = SN thresholds + \$15M.
  3. Adjust thresholds till FB% + SN% same for all three years, and TPP = 80%

Run 2: Final Contingent run, variable SN, 80% TPP for thresholds   BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_190_Run-2_Cont-Variable-SN_80%_13-Aug-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	95	132	227	409	94%	85%	355
2005	75	164	239	362	86%	TRP	06 Reserves
2006	87	155	241	355	80%	-135	117
Avg./Tot	257	451	708		'04-06 TPP	'02-06 NR	06 PBL Rsvs
	FB%	SN%	FB+SN%	FB+SN+LB%	Rate% over 2003	Thresh	Cap
2004	12.1%	14.0%	26.1%	51.6%	3.70%	-377	305
2005	9.2%	16.9%	26.1%	54.3%	5.58%	-195	305
2006	10.4%	15.7%	26.1%	54.7%	5.80%	-149	305
Avg./Tot	10.6%	15.5%	26.1%	53.5%	5.02%		

## Cont. Recalc - Finished

- Unless there is a settlement, caps and thresholds will be final after review period and August 28 workshop.
- Calculation of FB% and SN% for 2004 performed by separate spreadsheet, not by ToolKit.

	2004	2005	2006
FB CRAC caps (unchanged from May 2000)	150	150	175
SN CRAC caps	305	305	305
FB CRAC and SN CRAC thresholds	-377	-195	-149
Rebate thresholds*		-180	-134
* No rebate for 2004 - only rebates previously collected SN CRAC revenue			

# ToolKit Forecast versus 3rd Quarter Review

## Calculation of Rates

- ToolKit calculates rates based on 3000 games. The 2004 FB and SN CRAC rate will be calculated using the 3rd quarter ANR forecast.
- A key difference between the two approaches is that the FB CRAC expected value in ToolKit is less than what the FB CRAC is when calculated using a deterministic approach. A small percentage of games in ToolKit have the FB CRAC collecting less than the maximum amount resulting in a lower average FB CRAC rate.
- When the 2004 final rates are calculated, the FB CRAC will be calculated first. The SN CRAC will then be calculated to recover the remaining shortfall.
- Even if the FB CRAC does not trigger to its maximum allowable amount, there will still be an SN CRAC. This is due to the fact that the FB CRAC assumes 0% SLICE. Because there is SLICE, the FB CRAC collects less than the maximum allowable amount (64% of FB CRAC amount). The remaining amount flows to the SN CRAC.

# Identifying the Revenue Basis for the CRACs

	A	B	C	D	E
1	<b>LB Rev Basis</b>	2004	2005	2006	
2	Slice	371,776,313	371,785,361	371,781,631	
3	Non-Slice	761,726,396	790,066,722	806,754,469	
4					
5	<b>C&amp;R Discount</b>				
6	Slice	6,955,711	6,955,711	6,955,711	
7	Non-Slice	23,945,953	24,836,871	25,361,475	
8	LB Rate Basis Total	<b>1,164,404,374</b>	<b>1,193,644,665</b>	<b>1,210,853,287</b>	(All but LDD)
11					
12	<b>IOU Adjustments</b>				
13	Slice add'l benefits	\$17,661,358	\$17,661,358	\$17,661,358	
14					
15	Slice True-up	39,286,000	69,534,000	67,689,000	
16					
17	<b>FB Rev Basis</b>				
18	Non-Slice B3+B7	785,672,349	814,903,593	832,115,944	
19	Slice B2+B6+B13+B15	435,679,382	465,936,430	464,087,700	
20	Total	<b>1,221,351,732</b>	<b>1,280,840,023</b>	<b>1,296,203,645</b>	
21	Ratio B18/B20	0.643280989	0.636225898	0.641963898	
22					
23	IOU add'l 900aMW	156,214,656	155,787,840	155,787,840	
24					
25	<b>SN Rev Basis</b>				
26	B18+B23	<b>941,887,005</b>	<b>970,691,433</b>	<b>987,903,784</b>	
27					
28	<b>Puget / PacCorp 619 aMW</b>				
29	Not in SN Rev Basis above	107,440,969	107,147,414	107,147,414	
30	because it reduces LB CRAC				

# Calculation of FY 2004 FB and SN CRAC

\$ in thousands

	<b>2004</b>
	Oct-Sep
<b>FB CRAC</b>	
Threshold	\$ (377,000)
Cap	\$ 150,000
Rev Basis Slice	\$ 435,679
Rev Basis non-Slice	\$ 785,672

<p><b>FB CRAC formula</b></p> <p>(Threshold - ANR) / (Rev Basis Slice + Rev Basis non-Slice) =                  FB CRAC %</p> <p>FB CRAC % * Rev Basis non-Slice =                  Expected Revenue from the FB CRAC</p>
---

<b>SN CRAC</b>	
Threshold	\$ (377,000)
Cap	\$ 305,000
Rev Basis	\$ 941,887

<p><b>SN CRAC formula</b></p> <p>(Threshold - ANR - Expected Revenue from FB CRAC - CAL) /                  SN CRAC Rev Basis = SN CRAC %</p> <p>SN CRAC % * SN CRAC Rev Basis =                  Expected Revenue from the SN CRAC</p>
---

<b>ANR</b>	
Forecast w/o SN	\$ (613,290)

<b>LB CRAC</b>	
Initial Percent	26.75%
Revenue Basis	\$ 1,164,404

	<b>Rate Increase</b>	<b>Recovery Amount</b>
<b>LB CRAC</b>	25.40%	\$ 295,759
<b>FB CRAC</b>	12.28%	\$ 96,481
<b>SN CRAC</b>	14.61%	\$ 137,610
<b>Total</b>	<b>52.29%</b>	<b>\$ 529,849</b>
<b>SN &amp; FB</b>	26.89%	\$ 234,090

<b>Maximum Recovery Amount (MRA)</b>	\$ 236,290
<b>FB CRAC Recovery Amount</b>	\$ 96,492
<b>CAL</b>	\$ 2,223
<b>SN CRAC Recovery Amount</b>	\$ 137,575

<b>FB CRAC %</b>	12.28%
<b>SN CRAC %</b>	14.61%
<b>Combined FB &amp; SN</b>	26.89%

<b>LB Reduction in \$s</b>	15697
<b>LB Reduction in %</b>	1.35%

<b>Overall Rate</b>	52.29%	<b>Change from 2003</b>	4.17%
---------------------	--------	-------------------------	-------

\$ in thousands

# TPP, Rates After Calculating '04 CRACs

- Following GRSP methodology
- All 2003 data updated to 3rd Quarter Review
- TPP is above 80%

Run 3: Calculate TPP with draft known GRSP CRAC % for 2004   BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_190_Run-3_TPPs-w ith-GRSP-04-CRACs_13-Aug-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	96	138	234	447	96%	88%	387
2005	76	168	243	392	88%	TRP	06 Reserves
2006	87	156	243	387	84%	-138	127
Avg./Tot	259	462	721		'04-06 TPP	'02-06 NR	06 PBL Rsrvs
	FB%	SN%	FB+SN%	FB+SN+LB%	Rate% over 2003	Thresh	Cap
2004	12.3%	14.6%	26.9%	52.3%	4.18%	N / A	N / A
2005	9.3%	17.3%	26.6%	54.7%	5.85%	-195	305
2006	10.4%	15.8%	26.2%	54.8%	5.91%	-149	305
Avg./Tot	10.7%	15.9%	26.6%	53.9%	5.31%		

## Revised Rates based on 80% TPP

- Uses Administrator's Discretion from GRSPs
- All 2003 data updated to 3rd Quarter Review
- 2004 SN CRAC reduced
- 2005/6 FB/SN CRAC recalibrated to reach 80%
- Reduction in total rate level from Final Rate Case projections same for all three years

Run 4: Reduce '04 SN and recalibrate '05/6 to 80%; equal reductions each year   BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_190_Run-4_TPPs-with-reduced-04-SNCRAC_13-Aug-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	96	120	217	431	95%	84%	335
2005	73	155	228	358	86%	<b>TRP</b>	<b>06 Reserves</b>
2006	84	145	229	335	80%	-192	75
Avg./Tot	252	421	674		<b>'04-06 TPP</b>	<b>'02-06 NR</b>	<b>06 PBL Rsrvs</b>
	FB%	SN%	FB+SN%	FB+SN+LB%	Rate% over 2003	Thresh	Cap
2004	12.3%	12.8%	25.1%	50.6%	3.05%	N / A	N / A
2005	8.9%	16.0%	24.9%	53.2%	4.81%	-240	305
2006	10.0%	14.7%	24.7%	53.4%	4.97%	-212	305
Avg./Tot	10.4%	14.5%	24.9%	52.4%	4.27%		

# Expense Limits

	Final ROD FY 2003 (\$000)	Preliminary 3 <sup>rd</sup> Quarter Review (\$000)	Delta (\$000)
PBL Internal Ops & Corporate	\$105,813	\$103,588	(\$2,225)
Conservation Initiatives	\$19,278	\$21,508	\$2,230
Residential Exchange	\$143,802	\$143,802	\$0
Corps and Bureau O&M	\$154,386	\$153,600	(\$786)
Other Generating Projects	\$25,917	\$25,917	\$0
Renewable Projects	\$24,702	\$20,283	(\$4,419)
Civil Service Retirement Payment	\$17,600	\$17,600	\$0
<b>TOTAL:</b>	<b>\$491,498</b>	<b>\$486,298</b>	<b>(\$5,200)</b>

## Effects on LB CRAC

- The LB CRAC 5 rate was set in June and will take effect October 1, 2003 through March 31, 2004. Any adjustment to the LB CRAC due to SN CRAC will be captured in the true-up calculation in June of 2004.

### Summary of Results

Final 6/10/03

Table 1: Look Forward - LB CRAC5 for October '03 - March '04	
Increased Revenue Required (LB CRAC%)	21.94%
Total Increase in revenue in dollars	\$135,145,536
Increase in the Slice Rate	21.55%
Increase in the non-Slice Rate	21.29%

- **Effect of SN CRAC on LB CRAC**

- The LB reduction is due to the Pac/Puget load reduction agreements.

#### Calculation

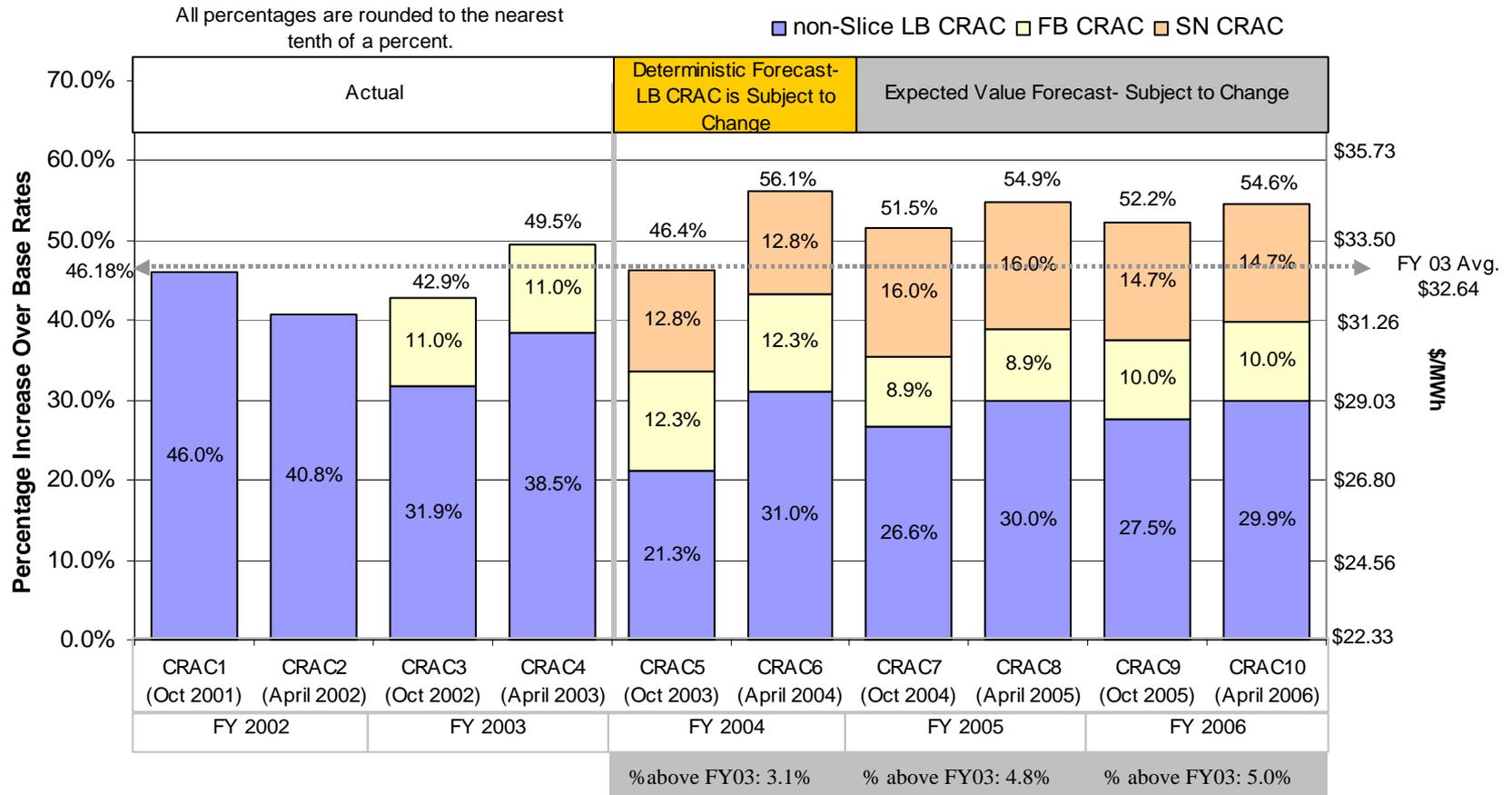
Step 1: 619 aMW X \$19.76 MWh x 8784 hours

Step 2: Step 1 / (SN CRAC% – (FB max – FB actual))

Step 3: Step 2 / LB CRAC revenue basis

# Expected Power Rate Adjustments over May 2000 Base Rates for FY 2004-2006

Estimate Based on 3rd Quarter Preliminary Results



FY 2004 rates are based on a deterministic point forecast based on the Preliminary 3rd Quarter Results.

FY 2005-2006 rates are an expected value forecast calculated through ToolKit.

Rebate not included in estimated rates (FY05-06)

# **Rates with Settlement**

## Contingent Recalc. – w/ settlement

- This is the procedure if settlement achieved by Sept 15, 2003 (if later, procedure to be determined).
- Essentially a tune-up of Final Studies calculations.
- This step is "synthetic" – mix of old and new data.
- Recalculates SN caps, FB & SN thresholds for:
  1. Changes in 2003 NR due to hydro/market;
  2. Reductions in 2004-6 O&M (Corps, Bureau, F&W, ENW, internal operations), if any; and
  3. IOU-Public settlement, if any.
- Changes made were for #1, hydro/market, and #3, settlement
  1. Replaced several months' of forecasted data with actuals.
  2. Reduced standard deviation of distribution (reduced uncertainty).
  3. Eliminated litigation penalty (lowers LB CRAC, no impact on SN CRAC).
  4. Deferred financial benefit payments to IOUs from this rate period to next.

# Cont. Recalc. w/ settlement – Starting Point

- FB & SN CRAC parameters and results from SN-03 Final Studies

SN-03 Final Study #3, BPA's Proposal: Variable, Flat SN CRAC, 80% TPP   BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_187_SN-03_FS#3_BPA-Prop_Variable_Flat_SNN_24-Jun-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	87	141	228	408	94%	85%	351
2005	74	165	239	361	86%	TRP	06 Reserves
2006	86	155	240	351	80%	-139	113
Avg./Tot	246	460	707		'04-06 TPP	'02-06 NR	06 PBL Rsrvs
	FB%	SN%	FB+SN%	FB+SN+LB%	Rate% over 2003	Thresh	Cap
2004	11.1%	15.0%	26.0%	51.4%	3.57%	-378	320
2005	9.1%	17.0%	26.0%	54.0%	5.35%	-204	320
2006	10.3%	15.7%	25.9%	54.3%	5.52%	-161	320
Avg./Tot	10.1%	15.9%	26.0%	53.2%	4.81%		

# Cont. Recalc. w/ settlement – Step 1

- Determine size of SN CRAC caps
  1. Use fixed (pre-determined) SN CRAC \$ for all three years.
  2. Use FB & DDC thresholds from May 2000 rate case.
  3. Adjust SN CRAC \$ till FB% + SN% same for all three years, and TPP = 80%.
  4. Caps will be equal to average SN \$ + \$100M (to nearest \$5M).

Run 5: Draft Settlement Contingent run, fixed SN, 80% TPP for cap sizing   BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_190_Run-5_Draft-Settlement_Cont-Fixed-SN_80%_13-Aug-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	95	96	191	477	98%	82%	482
2005	66	138	204	457	87%	TRP	06 Reserves
2006	67	141	208	482	80%	-218	
Avg./Tot	229	375	604		'04-06 TPP	'02-06 NR	
	FB%	SN%	FB+SN%	FB+SN+LB%	Rate% over 2003	Thresh	Cap
2004	12.2%	10.2%	22.3%	44.7%	-1.00%	N / A	N / A
2005	8.1%	14.2%	22.3%	44.2%	-1.38%	N / A	N / A
2006	8.1%	14.3%	22.4%	44.7%	-1.04%	N / A	N / A
Avg./Tot	9.4%	12.9%	22.3%	44.5%	-1.14%		

## Cont. Recalc. w/ settlement – Step 2

- Determine thresholds used for both SN and FB.
  1. Use caps calculated in Run 1.
  2. FB thresholds = SN thresholds; Rebate thresholds = SN thresholds + \$15M.
  3. Adjust thresholds till FB% + SN% same for all three years, and TPP = 80%

Run 6: Draft Settlement Contingent run, variable SN, 80% TPP for thresholds   BPA reserves								
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>								
File Name: TK_190_Run-6_Draft-Settlement_Cont-Var-SN_80%_13-Aug-03.xls								
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP			
2004	90	68	158	446	96%	83%		354
2005	63	105	168	382	88%	TRP	06 Reserves	
2006	71	99	170	354	80%	-352		116
Avg./Tot	224	273	497		'04-06 TPP	'02-06 NR	06 PBL Rsrvs	
	FB%	SN%	FB+SN%	FB+SN+LB%	Rate% over 2003	Thresh	Cap	
2004	11.4%	7.2%	18.7%	41.4%	-3.27%	-446	225	
2005	7.8%	10.8%	18.6%	40.8%	-3.70%	-354	225	
2006	8.5%	10.1%	18.6%	41.2%	-3.39%	-385	225	
Avg./Tot	9.3%	9.4%	18.6%	41.1%	-3.45%			

## Cont. Recalc. w/settlement - Finished

- These changes to the FB CRAC and SN CRAC parameters would be final. The only variables left would be the annual ANR determination that drives the annual CRAC calculations – unless the Administrator elects to impose a smaller SN CRAC in 2004 or 5, which would then cause a recalibration of CRAC parameters to meet the 80% TPP standard.
- Calculation of FB% and SN% for 2004 performed by separate spreadsheet, not by ToolKit.

	2004	2005	2006
FB CRAC caps (unchanged from May 2000)	150	150	175
SN CRAC caps	225	225	225
FB CRAC and SN CRAC thresholds	-446	-354	-385
Rebate thresholds*		-339	-370
* No rebate for 2004 - only rebates previously collected SN CRAC revenue			

# Calculation of FB and SN CRAC – with Settlement

	<b>2004</b>
\$ in thousands	Oct-Sep
<b>FB CRAC</b>	
Threshold	\$ (446,000)
Cap	\$ 150,000
Rev Basis Slice	\$ 435,679
Rev Basis non-Slice	\$ 785,672

<b>FB CRAC formula</b>
(Threshold - ANR) / (Rev Basis Slice + Rev Basis non-Slice) = FB CRAC %
FB CRAC % * Rev Basis non-Slice = Expected Revenue from the FB CRAC

<b>SN CRAC</b>	
Threshold	\$ (446,000)
Cap	\$ 225,000
Rev Basis	\$ 941,887

<b>SN CRAC formula</b>
(Threshold - ANR - Expected Revenue from FB CRAC - CAL) / SN CRAC Rev Basis = SN CRAC %
SN CRAC % * SN CRAC Rev Basis = Expected Revenue from the SN CRAC

<b>ANR</b>	
Forecast w/o SN	\$ (613,290)

<b>LB CRAC</b>	
Initial Percent	23.31%
Revenue Basis	\$ 1,164,404

	<b>Rate Increase</b>	<b>Recovery Amount</b>
<b>LB CRAC</b>	22.64%	\$ 263,621
<b>FB CRAC</b>	12.28%	\$ 96,481
<b>SN CRAC</b>	7.28%	\$ 68,569
<b>Total</b>	<b>42.20%</b>	<b>\$ 428,671</b>
<b>SN &amp; FB</b>	19.56%	\$ 165,050

<b>Maximum Recovery Amount (MRA)</b>	\$ 167,290
<b>FB CRAC Recovery Amount</b>	\$ 96,492
<b>CAL</b>	\$ 2,230
<b>SN CRAC Recovery Amount</b>	\$ 68,568

<b>FB CRAC %</b>	12.28%
<b>SN CRAC %</b>	7.28%
<b>Combined FB &amp; SN</b>	19.56%

<b>LB Reduction in \$s</b>	7822
<b>LB Reduction in %</b>	0.67%

<b>Overall Rate</b>	42.20%	<b>Change from 2003</b>	<b>-2.74%</b>
---------------------	--------	-------------------------	---------------

\$ in thousands

# TPP, Rates with Settlement After Calculating '04 CRACs

- Following GRSP methodology
- All 2003 data updated to 3rd Quarter Review
- TPP is above 80%

Run 7: Calculate TPP with Settlement with draft GRSP CRAC % for 2004   BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_190_Run-7_Settlement_TPPs-with-GRSP-04-CRACs_13-Aug-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	96	69	165	486	98%	87%	395
2005	64	108	172	417	90%	TRP	06 Reserves
2006	72	101	172	395	84%	-355	134
Avg./Tot	233	277	509		'04-06 TPP	'02-06 NR	06 PBL Rsrvs
	FB%	SN%	FB+SN%	FB+SN+LB%	Rate% over 2003	Thresh	Cap
2004	12.3%	7.3%	19.6%	42.2%	-2.72%	N / A	N / A
2005	7.9%	11.1%	19.0%	41.1%	-3.45%	-354	225
2006	8.6%	10.2%	18.8%	41.4%	-3.27%	-385	225
Avg./Tot	9.6%	9.5%	19.1%	41.6%	-3.15%		

# Adjusted '04 Rates – with Settlement

2004  
Oct-Sep

\$ in thousands

**FB CRAC**

Threshold	\$	(446,000)
Cap	\$	150,000
Rev Basis Slice	\$	435,679
Rev Basis non-Slice	\$	785,672

**SN CRAC**

Threshold	\$	(446,000)
Cap	\$	225,000
Rev Basis	\$	941,887

**ANR**

Forecast w/o SN	\$	(613,290)
-----------------	----	-----------

	Rate Increase	Recovery Amount
<b>LB CRAC</b>	23.18%	\$ 269,909
<b>FB CRAC</b>	12.28%	\$ 96,481
<b>SN CRAC</b>	1.38%	\$ 12,998
<b>Total</b>	<b>36.84%</b>	<b>\$ 379,387</b>
<b>SN &amp; FB</b>	13.66%	\$ 109,479

**LB CRAC**

Initial Percent	23.31%	23.31%	23.31%	23.31%	23.310%
Revenue Basis	\$ 1,164,404	\$1,164,404	\$ 1,164,404	\$ 1,164,404	\$ 1,164,404

<b>Maximum Recovery Amount (MRA)</b>	\$	167,290
<b>FB CRAC Recovery Amount</b>	\$	96,492
<b>CAL</b>	\$	2,230
<b>SN CRAC Recovery Amount</b>	\$	68,568
<b>FB CRAC %</b>	12.28%	
<b>SN CRAC %</b>		
<b>LB Reduction in \$s</b>		
<b>LB Reduction in %</b>		
<b>Overall Rate</b>		

Iteration 0	Iteration 1	Iteration 2	Iteration 3
167290			
96492			
2230			
68568	0.00%		
	0.00%	0.00%	0.00%
12.28%	12.28%	12.28%	12.28%
	1.25%	1.37%	1.38%
	\$ 1,341	\$ 1,466	\$ 1,476
	-0.12%	-0.13%	-0.13%
35.59%	36.72%	36.83%	36.84%
36.84%	36.84%	36.84%	36.84%
1.25%	0.12%	0.01%	0.00%

# TPP for Adjusted '04 Rates – with settlement

- Uses Administrator's Discretion from GRSPs.
- 2004 SN CRAC reduced till total 2004 rates 6.4% below 2003.
- 2005/6 FB/SN CRAC recalibrated to reach 80% three-year TPP.

Run 8: Calculate TPP with Settlement meeting -6.4% rate target for '04 & 80% TPP   BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_190_Run-8_Settlement_TPPs-w ith-04-rate-pledge_13-Aug-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	96	13	109	434	95%	84%	363
2005	67	115	183	369	86%	<b>TRP</b>	<b>06 Reserves</b>
2006	76	109	185	363	80%	-384	103
Avg./Tot	240	238	477		<b>'04-06 TPP</b>	<b>'02-06 NR</b>	<b>06 PBL Rsrvs</b>
	FB%	SN%	FB+SN%	FB+SN+LB%	Rate% over 2003	Thresh	Cap
2004	12.3%	1.4%	13.7%	36.8%	-6.39%	N / A	N / A
2005	8.3%	11.9%	20.1%	42.2%	-2.74%	-391	225
2006	9.1%	11.1%	20.2%	42.7%	-2.40%	-401	225
Avg./Tot	9.9%	8.1%	18.0%	40.6%	-3.84%		

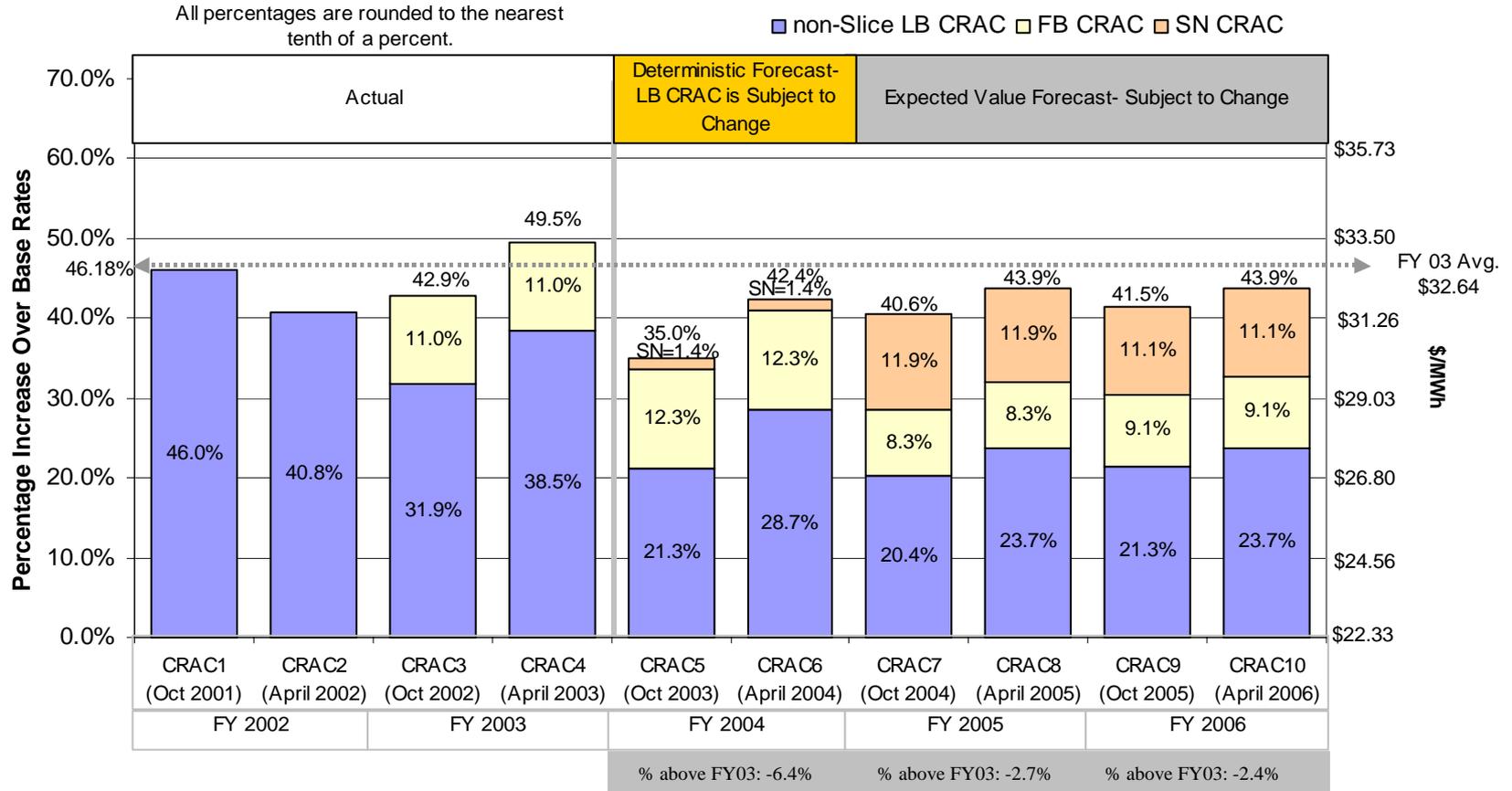
## Effects on LB CRAC – with Settlement

### ■ Effect of settlement on the LB CRAC

- If the IOU-Public litigation is dropped there will be a reduction of \$40M in 2004 and \$80M in 2005 and \$80M in 2006 from the LB CRAC calculation.
- BPA's LB CRAC expenses go down;
- BPA's LB CRAC revenue goes down by same amount;
- Net result: no change in BPA's net revenue, but decrease in LB CRAC percentage reduces total rate level for customers.

# Expected Power Rate Adjustments over May 2000 Base Rates for FY 2004-2006 w/ Settlement

Estimate Based on 3rd Quarter Preliminary Results



FY 2004 rates are based on a deterministic point forecast based on the Preliminary 3rd Quarter Results.

FY 2005-2006 rates are an expected value forecast calculated through ToolKit.

Rebate not included in estimated rates (FY05-06)

# **Rates without an SN CRAC**

## TPP & Rate Calculation if the SN CRAC is not Implemented (w/o settlement)

- Uses FB CRAC and DDC thresholds from May 2000 rate case.

Run 9: No Settlement, No SN CRAC   BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_190_Run-9_No-SN_14-Aug-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	96	0	96	377	91%	46%	-18
2005	80	0	80	152	61%	TRP	06 Reserves
2006	95	0	95	-18	44%	-614	-278
Avg./Tot	271	0	271		'04-06 TPP	'02-06 NR	06 PBL Rsrvs
	FB%	SN%	FB+SN%	FB+SN+LB%	Rate% over 2003	Exp. Val. BPA Reserves	Exp. Val. PBL Reserves
2003	11.0%	N / A	11.0%	11.0%	0	459	265
2004	12.3%	0.0%	12.3%	12.3%	-4.89%	377	170
2005	9.8%	0.0%	9.8%	39.3%	-4.74%	152	-83
2006	11.4%	0.0%	11.4%	41.1%	-3.49%	-18	-278
Avg./Tot	11.1%	0.0%	11.1%	30.9%	-4.37%		

# TPP & Rate Calculation if the SN CRAC is not Implemented (w/ settlement)

- Uses FB CRAC and DDC thresholds from May 2000 rate case.

Run 10: Settlement, No SN CRAC   BPA reserves							
<i>Most figures are expected values; eventual values may be different or in some cases very different</i>							
File Name: TK_190_Run-10_Settlement_No-SN_13-Aug-03.xls							
	FB\$	SN\$	FB+SN\$	End Rsvs	1-Yr TPP		
2004	96	0	96	422	94%	60%	154
2005	79	0	79	259	71%	TRP	06 Reserves
2006	94	0	94	154	58%	-602	-106
Avg./Tot	270	0	270		'04-06 TPP	'02-06 NR	06 PBL Rsrvs
	FB%	SN%	FB+SN%	FB+SN+LB%	Rate% over 2003	Exp. Val. BPA Reserves	Exp. Val. PBL Reserves
2003	11.0%	N / A	11.0%	46.2%	0	459	265
2004	12.3%	0.0%	12.3%	35.6%	-7.24%	422	216
2005	9.7%	0.0%	9.7%	32.5%	-9.34%	259	24
2006	11.3%	0.0%	11.3%	34.4%	-8.04%	154	-106
Avg./Tot	11.1%	0.0%	11.1%	34.2%	-8.21%		

# Summary: 2004 Power Rates

- 2004 Average Rates, Change from 2003 Rates,
- All CRACs Included
  
- No Settlement + 3.1%
- With Settlement - 6.4%
  
- *For Comparison:*
  - *June Final SN CRAC Proposal* + 3.8%
  - *No SN CRAC, No Settlement* - 4.9%
  - *No SN CRAC, with Settlement* - 7.2%

# Next Steps

- Comment Period- Closes 8/22  
Written comments regarding the inputs to the calculation of the proposed FB and SN CRAC rate adjustments may be submitted no later than August 22, 2003, to the Bonneville Power Administration, attention Michael Normandeau, P.O. Box 3621 – PSP-5, Portland, Oregon 97208. Comments may also be e-mailed to [mrnormandeau@bpa.gov](mailto:mrnormandeau@bpa.gov).
  
- August 28<sup>th</sup> Workshop
  
- Today's workshop materials are posted on BPA's external website in the PBL "queue."  
See: <http://www.bpa.gov/Power/queue/index.shtml>