



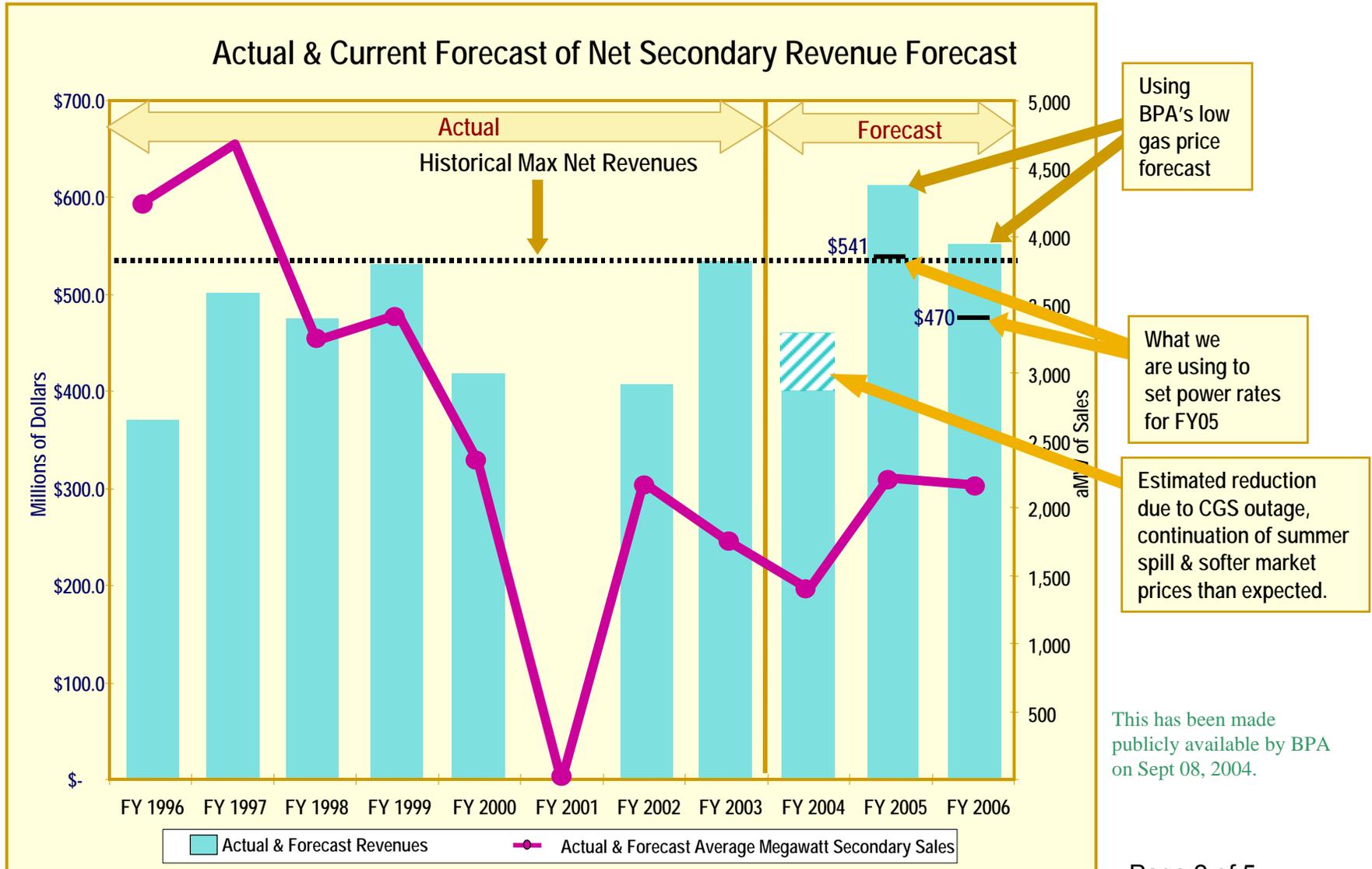
Customer Collaborative Meeting

Power Rates Update

- As we consider where to land within the 5 to 7.5 percent range, we want to highlight the risks we see to FY 2006 rates if we decide to set the SN CRAC to zero for FY 2005.
- In estimating future revenues, even though we decided to be conservative about counting on secondary revenues beyond historical levels in FY 2005 and FY 2006, the forecast for FY 2005 remains optimistic compared to what we have historically achieved.
- The Net Secondary Revenues graphic on the next slide illustrates the forecast compared to historical levels.



Customer Collaborative Meeting Power Rates Update



This has been made publicly available by BPA on Sept 08, 2004.



Customer Collaborative Meeting

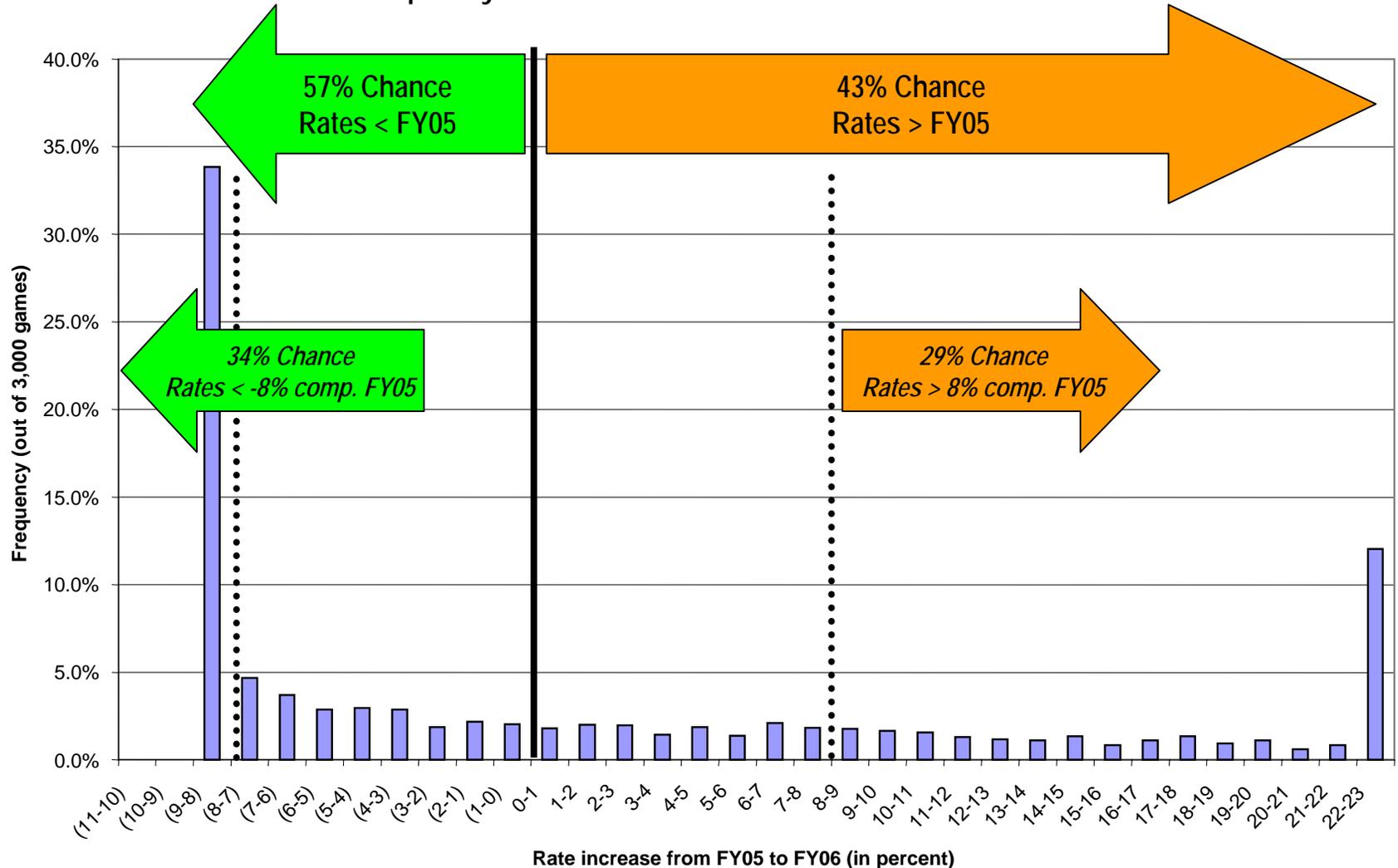
Power Rates Update

- If we set the SN CRAC to zero, there is a little more than 50/50 chance that we will have a rate decrease in FY 2006. In order to be in this zone, we and our cost partners will need to continue our focus on cost management. We'll also need to hit our secondary revenue targets. If we exceed our secondary revenue targets, rates could go down again next year.
- On the other hand, there is a little less than a 50/50 chance that we will have a rate increase in FY 2006. A continuation of low water and/or lower-than-expected market electricity prices in FY 2005 could force BPA's power rates up again in FY 2006.
- The graphic on the next slide shows the distribution of FY 2006 power rates when the SN CRAC is set to zero for FY 2005.



Customer Collaborative Meeting Power Rates Update

Frequency of FY 2005 to FY 2006 Power Rate Increase





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Power Rates Update

- As an example, in the case where BPA sets the SN CRAC to zero in FY 2005, if market prices or water conditions do not materialize as expected and BPA earns only \$400M in net secondary revenues in FY 2005 as it did in FY 2004, (and everything else stays the same,) then ...
 - FY 2006 rates would go up by nearly 13% and
 - BPA's TPP would be 88.6 percent – falling short of the one-year TPP target of 92.8 percent

	The <u>Expected Value</u> of FY 2005 Net Secondary Revenues is \$541M with a Wide Range of Possible Outcomes	Example: FY 2005 Net Secondary Revenues Come in Exactly at \$400M
Expected Rate Increase in FY 2006 Compared to FY 2005	+1.4%	+12.6%
Treasury Payment Probability	86.2%* ... 2-Year TPP Meets the TPP Target *86.2% is the 2-year equivalent of a 3- year TPP target of 80%	88.6%* ... 1-Year TPP Does <u>Not</u> Meet the TPP Target *92.8% is the 1-year equivalent of a 3-year TPP target of 80%