Cash Capital

Net Revenue

Customer Collaborative Meeting
Financial Overview through September 30, 2004

- FCRPS Modified Net Revenue was $66.3 million, down $78.4 million from the August 28th 2003 customer workshop forecast of $144.7 million. (We do not forecast the effects of FAS 133 and the EN debt optimization program for the rate case. Therefore, NR and MNR are equal when presenting rate case comparisons.)
- Taking into account FAS 133 effects and the beneficial impacts of Debt Optimization, FCRPS Net Revenue was $504.4 million.
- Operating Revenues totaled $3,197.9 million, down $297.3 million from the August 28th 2003 customer workshop forecast of $3,495.2 million.
  - In March a new accounting standard (EITF 03-11 requiring that book-out transactions be presented net) was implemented that decreased revenue and expenses by equal amounts, which therefore had no impact on net revenue. EITF 03-11 reduced revenues by $212.2 million in FY ’04.
  - FAS 133 derivative accounting increased revenues $89.5 million that was not forecast in the rate case.
  - In January, due to the lack of settlement, FCRPS and PBL Net Revenue was adjusted upwards to reflect approximately $32 million of SN CRAC revenue previously held as “Revenues Subject To Refund.”

Customer Collaborative Meeting
Financial Overview through September 30, 2004

- PBL secondary revenues were down from the August 28th Workshop due to decreased generation offset somewhat by higher prices.
- TBL revenues were down due to reduced sales associated with lower DSI loads, non-renewal of some contracts, and reduced sales revenues from the short-term market.

▪ Total Operating Expenses totaled $2,408.6 million, down $557.9 million from the $2,966.5 million forecast in the August 28th 2003 customer workshop. Primary reasons for the reduction include:

- As a result of Debt Management Activities (predominantly the Debt Optimization Program), actual EN Debt Service expense was $224.3 million, a reduction of $333.2 million from the $557.5 million forecast in the WP-02 Final Studies in the Rate Case.
- EITF 03-11 accounting reduced Power Purchased expenses $212.2 million – there was no impact to net revenue, due to offsetting reductions in revenue.

Customer Collaborative Meeting
Financial Overview through September 30, 2004

- Interest Expense was $284.9 million, a reduction of $99.1 million from the $383.9 million forecast in the August 28th 2003 customer workshop. Primary reasons for the reduction included less capital spending, lower Appropriated Interest (less Columbia River Fish Mitigation (CRFM) costs going into service), lower than planned borrowing rates, and early debt retirement.

- The year end Agency Reserves totaled $638 million, representing an increase of $191 million higher than the $447 million identified in August 28th 2003 customer workshop, primarily due to customer deposits and prepayments, and EN Debt Refinancing.

- Repayment to the U.S. Treasury for the U.S. taxpayer investment in the Federal Columbia River Power System (FCRPS), which includes the federal hydropower dams and transmission system, totaled $1.053 billion.

Customer Collaborative Meeting
Financial Overview through September 30, 2004

- The Treasury payment included $592 million in principal, $420 million in interest, and $41 million in other payments. The $592 million principal payment included $346 million in early retirement of Treasury debt (principal repaid earlier than planned) as part of BPA's debt optimization program.
- BPA reduced the average wholesale five-year preference power rate for FY 2005 by 7.5 percent compared to the FY 2004 average.
- Moody's rating for BPA-backed bonds went from Aa1 to Aaa, the rating agency's highest rating. S&P moved BPA bonds from negative up to stable outlook.
- Capital spending for the year was down 21% from the estimated $626.1 million budgeted. Capital spending of $496.6 million included approximately $40 million for Schultz/Wautoma and $15 million in TBL revenue financed projects.

Customer Collaborative Meeting
Financial Overview through September 30, 2004

PBL FY '04 compared to August 28th Power Rate Case Workshop :

- PBL Modified Net Revenue was down by $50.4 million from the August 28th Power Rate Case Workshop, falling from $129 million to $78.6 million.
- Net secondary sales were down by about $135 million from the August 28th Workshop due to decreased generation and higher prices. The PBL assumed average water conditions of 134 maf for the August 28th Workshop, but the annual volume of only 112 maf was realized this year. The significant decrease in generation was partially offset by a $9/MWh increase in the average annual weighted net sales price.
- Program expenses were down primarily in the areas of net interest expense, transmission & ancillary services, 3rd party GTA wheeling, Trojan decommissioning, long-term generating projects, and internal operations, offset by small increases in other categories.
- Internal operations charged to power rates decreased by over $10 million for "Power Non-Generation Operations" and "Corporate Support for G&A and Shared Services"; dropping from $106 million to $96 million.
- Revenue from the Slice True-up was down by about $46 million primarily due to expense reductions and the impacts of debt optimization.

Customer Collaborative Meeting
Financial Overview through September 30, 2004

TBL FY04 4th Qtr Forecast compared to Rate Case:

- TBL Net Expenses were $12.2 million, reflecting a negative impact of $24.3 million reduction from the $12.1 million net revenue forecast in the Transmission Rate Case for FY ’04.
- TBL Revenues were $80 million less than the rate case, with over 50% of the shortfall due to long term sales including ancillary products. The revenue drop occurred due to reduced sales associated with DSIs loads, non- renewal of some contracts, reduced sales in the short-term market, and PBL reduced demand for transmission.
- TBL operating expenses were down primarily due to reduced operation, maintenance and administrative programs. However, a large amount of work was also deferred or delayed (i.e. vegetation management, non- electric plant maintenance, regulatory issues, etc.) as part of cost reduction efforts.
- Other reductions from forecast included ancillary product and services expenses associated with the decline in sales, employee travel, training, development and performance awards.