

Customer Collaborative February, 2007



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Financial Overview For FY 2007 Through December 31, 2006

- **Based on December 2006 YTD actual results, we are on course with expectations presented in the FY 2007 Agency Start of Year (SOY) budget.**
- **The 1st Quarter forecast for FY 2007 FCRPS Modified Net Revenue (MNR) for is \$167 million, which is an increase of \$23 million from the \$144 million SOY target.**

- **Power Services 1st Quarter forecast for end of year MNR is \$121 million, which is an increase of \$17 million from the \$104 million SOY target.**
 - Since it is still early in the year, there is a large amount of uncertainty in the hydro conditions, hydro operations, the natural gas market, and Columbia Generating Station operations, as well as electricity prices that can still influence the end-of-year MNR for Power.
 - The net secondary revenue forecast used in the SOY target assumed average water. The net secondary revenue forecast has not been updated for the 1st Quarter Review and still assumes average runoff for January through July. We will review the net secondary forecast prior to the 2nd Quarter Review when more information is available about this year's water supply and prices.



Power Services (continued)

- 1st Quarter actuals for MNR are lower than would normally be expected for this period.
 - Secondary revenues were lower for the quarter due largely to actions taken to set up the system for the cold months of the second quarter.
 - Several cost and revenue adjustments were recorded in the 1st Quarter:
 - The elimination of costs for public exchange in FY 2007,
 - The Slice settlement and adjustments to the Slice true-up revenues,
 - A reduction DSI benefits,
 - A reductions in Trojan decommissioning costs, and
 - Other miscellaneous expense reductions.
- None of these factors indicate a significant change in expectations for end of year results.



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- Transmission EOY Net Revenues for the 1st Quarter forecast are \$48 million, an increase of \$3 million from the SOY target.
 - Transmission revenues for the 1st Quarter forecast of \$751 million are unchanged from the SOY target of \$751 million.
 - Transmission total expenses (operating expenses and net interest) for the 1st Quarter forecast are \$526 million, which is \$3 million lower than the SOY target. The decrease is due to a reduction in net interest expense.

