

## Stenehjem, Carlene R - DKC-7

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**Subject:** FW: TBL PIR - Follow-Up to July 11 Workshop

-----Original Message-----

From: Lon L. Peters [mailto:lpeters@pacifier.com]

Sent: Tuesday, July 11, 2006 5:19 PM

To: Fredrickson, Rebecca E - TMF-MODD; Federovitch, Michael R - TMF-DITT2

Cc: Brown, Adrian; Conway, Kevin; Dearing, Bill; Dietrich, Steve; Essex, Bob; Greene, Barbara; Huhta, Gary; Juj, Hardev; Knitter, Keith; Munz, Paul; Noteboom, Rod; Powell, Scott; Scheel, Jim; Semro, Marilyn; Sprouse, Casey; Wagers, Chuck; Wright, Cindy; Scheel, Jim; O'Meara, Kevin; Brattebo, Scott; Wolverton, Linc; Jordan, Lloyd; Carr, Geoff

Subject: TBL PIR - Follow-Up to July 11 Workshop

Rebecca and Mike,

I have a few follow-up questions and comments. I am indifferent to whether these are answered by e-mail or in a technical meeting. If there are enough questions, perhaps a follow-up technical meeting would be in order. Thanks for all the work that went into today's presentations.

1. Can we discuss a way for customers to be formally involved in the decision-making process that runs from roughly February to July of each fiscal year, regarding capital decisions for the following fiscal year?

2. The process by which overall capital budgets interact with choices among proposed projects is still not clear. It is my understanding that a total capital budget is established initially (identified as July of Year 1 on Slide 19 of today's presentation), but through the internal review process this iterates with the review and ranking of individual projects to arrive at an annual capital budget with specific projects (see Slide 7). At some points in the process the overall budget appears to be a constraint on the selection of projects, once they are ranked, but at other points the budget constraint itself is revised. Thus, the FY06 capital plan started out at \$394 million (Congressional Budget) but ended up at \$258 million (Approved for Funding) as of May 31, 2006 (Slide 7). My understanding of the criteria used to (a) adjust the total budget and (b) choose among projects could benefit from some further discussion. Perhaps TBL could prepare (a) a list of projects (or concepts or general problems) that drove the \$394 million Congressional Budget; (b) the criteria used to move the Congressional Budget down to the OMB Budget, including which projects were dropped or deferred; and (c) examples of the application of the Matrix Team's criteria to fund (or not) projects that were proposed and ranked by the functional teams. (There may be other steps in the process that should be added, but these seem like the major elements.)

3. Examples of the financial analysis (Slide 22, which I understand applies to the March-July period each year) and the economic analysis and risk assessments (Slide 26) would be helpful.

4. Please let us know if/when the contractor consents to the release of the depreciation study, hopefully in electronic form.

5. The complexities of corporate allocations were somewhat illuminated today, but not entirely. Perhaps corporate could prepare a table that shows the total allocation of corporate expenses to TBL

over time (e.g., 2003-2009), with some major subcategories (e.g., Executive Office, Deputy Administrator, HR) but without the details of all the transfers within corporate from one line item to another. It is still hard to tell how the allocation of corporate costs to TBL is changing over time. It is also still unclear what corporate did in 2005 to reduce TBL's costs by \$11 million. The backup handout from this morning's meeting suggests that corporate expenses in total increased from 2004 to 2005, although the direct charge to TBL fell by almost \$20 million. In addition, additional information on the kinds of projects funded through the Technology Confirmation/Innovation would be appreciated. How do these differ from R&D projects funded directly at TBL and PBL?

6. What is causing the \$1.4 million reduction in revenues associated with the Canadian Entitlement (Slide 59)?

7. Are the rating criteria on Slides 68-71 "and" or "or"? That is, does a proposed project get a score based on meeting all, some, or only one of the criteria for that score?

8. What is the "gated approach" on p. 2 of the June 30 response to Joint Customers' questions (Libby-Troy)?

9. Regarding the West of McNary open season, it would be helpful if TBL released the terms and conditions of any offers made to IPPs during the process, so that the customers can better understand the nature of the business relationship that TBL was proposing.

Please call if you want to clarify any of this. Contact numbers are below. Thanks again.

Lon  
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