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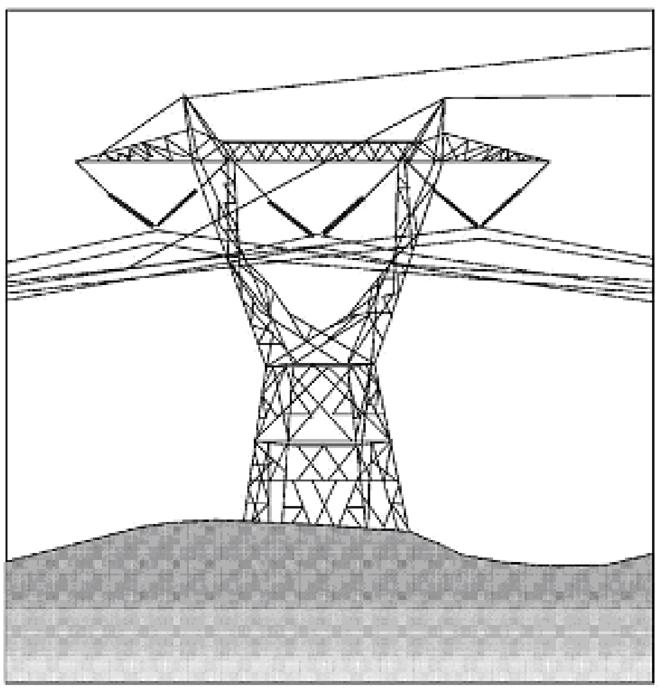
2006 FINAL TRANSMISSION PROPOSAL

REVENUE REQUIREMENT STUDY

TR-06-FS-BPA-01



JUNE 2005

Bonneville Power Administration
Transmission Business Line

2006 FINAL TRANSMISSION PROPOSAL

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1. INTRODUCTION

1.1 Purpose and Development of the Revenue Requirement Study

The purpose of the Revenue Requirement Study (Study) is to establish the level of revenues needed from rates for Bonneville Power Administration's (BPA's) transmission and ancillary services to recover, in accordance with sound business principles, costs associated with the transmission of electric power over the Federal Columbia River Transmission System (FCRTS). The FCRTS is part of the larger Federal Columbia River Power System (FCRPS) which also includes the hydroelectric, multipurpose facilities constructed and operated by the U.S. Army Corps of Engineers and the Bureau of Reclamation in the Pacific Northwest. The FCRPS costs that are not included in the FCRTS costs are funded and repaid through BPA power rates. The transmission revenue requirements herein include: recovery of the Federal investment in transmission and transmission-related assets; the operations and maintenance (O&M) and other annual expenses associated with the provision of transmission and ancillary services; the cost of generation inputs for ancillary services and other between business-line services necessary for the transmission of power; and all other transmission-related costs incurred by the Administrator.

The cost evaluation period for this rate proposal includes Fiscal Years (FYs) 2005 - 2007, the period extending from the last year for which historical information is available through the proposed rate test period. The Study includes the transmission revenue requirements for the rate test period, FYs 2006 – 2007 (Rate Period) and the results of transmission repayment studies.

This Study outlines the policies, forecasts, assumptions, and calculations used to determine BPA's transmission revenue requirements. Legal requirements are summarized in Chapter 5 of this Study. The Revenue Requirement Study Documentation (Documentation), TR-06-FS-BPA-01A, contains key technical assumptions and calculations, the results of the transmission repayment studies, and a further explanation of the repayment inputs and its outputs.

The revenue requirements that appear in this Study are developed using a cost accounting analysis comprised of multiple steps. *See* Figure 1, Transmission Revenue Requirement Process. The primary features of the Study include repayment studies, transmission operating expenses, and risk analysis. First, repayment studies for the transmission function are prepared to determine the amortization schedule and to project annual interest expense for bonds and appropriations that fund the Federal investment in transmission and transmission-related assets. Repayment studies are conducted for each year of the rate test period, and cover a 35-year repayment period. Second, transmission operating expenses, debt service reassignment, and minimum required net revenues (if needed) are projected for each year of the rate test period. Third, the necessity for including annual planned net revenues for risk is determined by taking into account Transmission's business risks, BPA's cost recovery goals, and risk mitigation measures. From these three steps, revenue requirements are set at the revenue level necessary to fulfill BPA's cost recovery requirements and objectives.

BPA conducts a current revenue test to determine whether revenues projected from current rates meet its cost recovery requirements and objectives for the rate test and repayment period. If the current revenue test indicates that cost recovery and risk mitigation requirements can be met, current rates could be extended. The current revenue test, discussed in Chapter 4.2, demonstrates that current revenues are insufficient to meet cost recovery requirements and objectives for the rate test period and the repayment period.

Consistent with Department of Energy Order RA 6120.2 and the Federal Energy Regulatory Commission (FERC) rate review standards applicable to BPA, BPA must demonstrate the adequacy of the proposed rates to recover its costs. The revised revenue test determines whether projected revenues from proposed rates will meet cost recovery requirements and objectives for the rate test and repayment periods. The revised revenue test, discussed in Chapter 4.3, demonstrates that revenues from the proposed transmission and ancillary services rates will recover transmission costs in each year of the rate test period and over the ensuing 35-year repayment period. Consistent with the Treasury Payment Probability (TPP) standard that BPA adopted as a long-term policy in 1993, the costs are projected to be recovered through the transmission and ancillary services rates with a greater than 95 percent probability that associated United States (U.S.) Treasury payments will be made on time and in full over the two-year rate period. *See* Chapter 2.2.

Table 1 shows projected net revenues from proposed rates and summarizes the revised revenue test over the two-year rate period. In combination with other risk mitigation tools, these net revenues are set at the lowest level necessary to achieve BPA's cost recovery objectives in the face of transmission-related risks. Table 2 shows planned transmission amortization repayments to the U.S. Treasury for each year of the rate test period.

1.2 Public Involvement Process

Concurrent with, but independent of preparing this rate proposal, BPA conducted a public process for customers and constituents to comment on planned capital spending and the expenses associated with supporting a reliable and safe transmission system. The results of these public meetings contributed to the Administrator's decisions on TBL expense and capital spending levels for the FYs 2006-2007 rate period. *See* Chapter 2.1. The Administrator's decisions have been reflected in the revenue requirements, including repayment studies, in this rate proposal.

2. SPENDING LEVEL DEVELOPMENT AND FINANCIAL POLICY

2.1 Development Process for Spending Levels

In June 2004, BPA began a public involvement process entitled "Programs in Review" (PIR). The purpose of PIR was to review and discuss transmission program spending levels for FYs 2006 and 2007. The PIR process was designed to provide the region an overview of, and context for, major policy issues surrounding BPA's Transmission Business Line's (TBL's) expense and capital programs.

BPA conducted seven regional workshops, in June and July 2004, to ask for customer input during the PIR public process. The public process solicited customer comments on TBL's proposed FYs 2006 and 2007 program spending levels for transmission system operations, maintenance and construction. This forum included a detailed discussion of transmission capital spending levels and planned transmission system improvements, upgrades and reinforcement projects. At the customers' request, three additional technical workshops were held in Portland in August 2004 so staff could provide additional information regarding BPA policy related to debt optimization, non-Federal payment obligations, and staffing levels and specific operating costs.

PIR workshop participants were advised that public comments and concerns offered during the process would be considered in the Administrator's close-out letter providing his decision with regard to spending levels. The Administrator's spending level decisions in the PIR process then serve as the basis for the revenue requirements in this Study. Notices of the workshops were distributed widely to TBL's customers and interested parties and posted on TBL's website. Workshop participants provided substantial oral and written comments with regard to TBL's planned transmission capital spending and program expenditures.

The Administrator issued a letter on January 21, 2005, closing out the public process and including the Administrator's decisions on TBL program levels for FYs 2006 and 2007. *See* Appendix B. The Administrator's decisions have been reflected in the revenue requirements, including repayment studies, in this rate proposal.

2.2 Financial Risk and Mitigation

BPA adopted a long-term policy in its 1993 Final Rate Proposal that called for setting rates that build and maintain financial reserves sufficient for the agency to achieve a 95 percent Treasury Payment Probability (TPP) of making the end-of-year U.S. Treasury payments in full and on time during the rate period. *See* 1993 Final Rate Proposal, Administrator's Record of Decision, WP-93-A-02, p. 72.

In this rate proposal, BPA has analyzed its transmission risks and has determined that this rate proposal achieves the 95 percent probability standard for the transmission function for the two-year rate period. To achieve this level of TPP, the following risk mitigation "tools" are considered in the rate proposal.

(1) <u>Starting financial reserves</u> Starting financial reserves include cash and the deferred borrowing balance attributed to the transmission function. BPA's risk analysis uses

a Monte Carlo model to simulate FY 2005 reserves separately for each of 5000 games. The most-likely value from the resultant distribution for the starting FY 2006 reserves is $183.4 million.

(2) Planned Net Revenue for Risk (PNRR) PNRR is a component of the revenue requirement that is added to annual expenses if reserves are not sufficient for risk mitigation purposes. PNRR adds to cash flows so that financial reserves are sufficient to mitigate short-run volatility in expenses and revenues and achieve the TPP goal. No PNRR is required to meet the TPP standard in this rate proposal.

(3) Two-Year Rate Period BPA is proposing to adopt rates for a two-year rate period. The ability to revise rates after two years, or more frequently if need be, serves as an important risk mitigation tool for BPA's transmission function. By adopting a two-year rate period, the TBL limits the amount of risk that must be covered by financial reserves and PNRR.

2.2.1 Transmission Risk Analysis

To quantify the effects of risk on the finances of BPA's transmission function, BPA analyzes the effects of uncertainty in expenses and revenues on transmission cash flows using a Monte Carlo simulation method. *See* Figure 2. The analysis is used to estimate the probability of successful Treasury payment (on time and in full) for both years of the rate period. Successful Treasury payment is deemed to occur when the end-of-year financial reserves for the transmission function, after Treasury payments are made, are sufficient to cover the transmission function's liquidity reserves (formerly termed "working capital") requirement of $20 million. The liquidity reserves threshold in the amount of $20 million is based on the historical monthly net cash flow patterns and monthly cash requirements for the transmission function.

The risk analysis covers the period FYs 2005 through 2007. Using this time frame permits analysis of the change in revenues, expenses, and accrual-to-cash adjustments that are expected to occur between the development of the final rate proposal and the end of the rate period. The advantage to this approach is that financial reserves at the start of the next rate period (FYs 2006-2007) may be simulated, including the effects of uncertainty in current rate period cash flows, thus helping define the starting conditions for the next rate period.

The risk analysis model simulates financial reserves at the beginning of the FY 2006 - 2007 rate period and estimates PNRR if reserves are not sufficient to meet BPA's TPP standard. Initial input values for point estimates of expenses come from the Study and the revenue inputs are from the revenue forecast (Documentation, TR-06-FS-BPA-01A, Chapter 13) and, when combined with inputs describing uncertainty in expenses and revenues, provide the basis for the initial estimate of PNRR. The PNRR, in turn, is provided as an input to the Study, raising the transmission revenue requirement and transmission rates if needed to raise TPP. This iterative process is continued until successive estimates of PNRR converge. *See* Documentation, TR-06-FS-BPA-01A, Chapter 9.

2.2.2 Transmission Risk Analysis Model

The foundation of the risk analysis is a transmission financial spreadsheet model. *See* Documentation, TR-06-FS-BPA-01A, Chapter 9. This model was developed to estimate the effects of risk and risk mitigation on end-of-year financial reserves and the likelihood of successful Treasury end-of-year payment for each year during the rate period. Financial reserve levels at the end of each fiscal year determine whether BPA is able to meet its Treasury payment obligation. The model contains individual work sheets including: an input matrix of revenues and expenses, an income statement, a cash flow statement, accrual-to-cash adjustments, and individual work sheets for variables specified with uncertainty in the model. Parameters for the probability distributions were developed from historical data and analysis of risk factors.

2.3 Capital Funding

BPA transmission capital outlay projections for this proposal, as described in Appendix B, are $518.1 million for the FY 2006-2007 rate period. These investments are:

- transmission programs ($471.4 million);
- environmental program ($9.5 million);
- information technology projects ($37.2 million).

TBL capital outlays also include $37.2 million of Corporate capital investments.

2.3.1 Bonds Issued to the Treasury

Bonds issued to the U.S. Treasury will be the primary source of capital used to finance projected FYs 2006-2007 transmission capital program investments. Interest rates on bonds issued by BPA to the U.S. Treasury are set at market interest rates comparable to securities issued by other agencies of the U.S. Government. Interest rates on bonds projected to be issued are included in the Documentation, TR-06-FS-BPA-01, Chapter 6.

2.3.2 Federal Appropriations

This Study includes the original capital investments in the Federal transmission system that were financed by Congressional appropriations. Transmission investments were no longer funded by appropriations after the full implementation of BPA's self-funding authority under the Federal Columbia River Transmission System Act (the Transmission System Act). The Bonneville Appropriations Refinancing Act (Refinancing Act) was enacted in April 1996. This Refinancing Act reset the unpaid principal of all BPA appropriations and reassigned current market interest rates. New principal amounts were established at the beginning of FY 1997 at the present value of the principal and annual interest payments BPA would make to the Treasury for these obligations in the absence of the Refinancing Act, plus $100 million. Before implementation of the Refinancing Act there was $1,461.9 million in BPA appropriations outstanding. After the implementation of the Refinancing Act, $1,075.4 million in BPA appropriations was outstanding. The Refinancing Act restricted prepayment of the new principal to $100 million in the FY 1997-2001 period. Other repayment terms were unaffected.

2.3.3 Use of Reserves

In this rate period, BPA will rely on $15 million per year from Transmission cash reserves to fund capital investments. This amount will be drawn from reserves projected to be available in the Rate Period.

2.3.4 Non-Federal Payment Obligations

The transmission revenue requirements reflect two forms of non-Federal payment obligations. The first form is a lease-purchase arrangement for capitalized asset purchases. BPA entered into a transaction in 2004 with the Northwest Infrastructure Financing Corporation (NIFC), a subsidiary of JH Management, to provide for the construction of the 500 kV Schultz-Wautoma transmission line. BPA will make semi-annual lease payments for thirty years, concluding with a single payment for the principal due on the bonds issued by NFIC. BPA will have the option of purchasing the line at the end of the lease. During the term of the lease, TBL will operate the Schultz-Wautoma line and provide transmission and ancillary services over the facilities. Additional lease transactions are not forecast for the Rate Period.

The second form of non-Federal payment obligations included in the revenue requirements consists of the functional reassignment to TBL of debt service (interest and principal) payment obligations associated with non-Federal Energy Northwest (EN) bonds. This reassignment is a result of BPA's Debt Optimization Program, which refinances and repays existing EN bonds before they come due and uses the revenues made available from such refinancing to replenish or create opportunities to replenish BPA's Treasury borrowing authority by retiring additional Treasury obligations in amounts equal to the amount of principal of the new EN bonds**.** When Treasury obligations associated with transmission investments are repaid under the Debt Optimization Program, the debt service obligation associated with new EN debt in equivalent principal amounts is assigned to the TBL. The revenue requirements reflect refinancing actions that have occurred through 2004. No additional future refinancing activities are forecast for the rate period in the study.

For specific calculations regarding non-Federal payment obligations, see the Documentation, TR-06-FS-BPA-01A, Chapter 7.

While BPA is operating under FERC's Large Generator Interconnection Agreement procedures, no participant funded network upgrades are forecast for the FY 2006-2007 rate period.

2.3.5 Updates and Changes for the Final Proposal

For the final proposal, depreciation expense and AFUDC in the rate test period were recalculated to adjust for FY 2004 actual results. The revenue requirements and risk analysis reflect expected FY 2005 financial results as portrayed in BPA's Second Quarter FY 2005 Review. The projected Treasury borrowing incorporated in the repayment study for the rate test period was adjusted to exclude funding for capital expenditures to be paid from transmission financial reserves and to reflect a revised forecast for Corporate capital investments assigned to the TBL. Also incorporated into the repayment study was a correction to the annual Debt Service Reassignment principal and interest payments, primarily affecting years beyond the rate test period. Revenue requirements also reflect a slight change in the Debt Service Reassignment interest payments resulting from that correction. The updated analysis for the Final Proposal eliminated the need to shift $10 million of planned amortization from FY 2007 to FY 2006 in order to accommodate the annual revenues and expenses for each year of the rate period.

3. DEVELOPMENT OF REPAYMENT STUDIES

Repayment studies are performed as the first step in determining revenue requirements. The studies establish the schedule of annual U.S. Treasury amortization for the rate test period and the resulting interest payments.

In this Study, as in the previous transmission rate filing, the repayment period has been set at 35 years. This study horizon reflects the fact that bonds are not issued for terms longer than 35 years and that the outstanding appropriations and bonds in the transmission system are fully repaid within this period. It also is consistent with the estimated average service life of transmission system plant (40 years) in that it does not exceed that average lifetime. The Revenue Requirement Study includes the results of transmission repayment studies for each year in the rate test period, FYs 2006 and 2007. In conducting the repayment studies, BPA includes outstanding and projected transmission repayment obligations for Congressional appropriations and bonds issued to the U.S. Treasury. Funding for replacements projected during the repayment period also is included in the repayment study, consistent with the requirements of RA 6120.2. *See* Chapter 5.

Historical BPA appropriations are scheduled to be repaid within the expected useful life of the associated facility or 50 years, whichever is less. Actual bonds issued by BPA to the Treasury may be for terms ranging from 3 to 40 years, taking into account the estimated average service lives for associated investments and prudent financing and cash management factors. In the repayment studies, all projected bonds have a term of 35 years for transmission investment and

15 years for environment investment. Some bonds are issued with a provision that allows the bond to be called after a certain time, typically five years. Bonds also may be issued with no early call provision. Early retirement of eligible bonds requires that BPA pay a bond premium to the Treasury. The premium that must be paid decreases with the age of the bond, and is equivalent, in total, to a fixed premium and a reduced interest rate. This reduced effective interest rate enters into the comparison with other Federal investments and obligations to determine which should be repaid first. Bonds are issued to finance BPA transmission and environment investments and are repaid within the provisions of each bond agreement with the Treasury.

The streams of annual debt service pertaining to non-Federal payment obligations also are included as fixed obligations that the repayment study takes into account in establishing the overall levelized debt service. This reflects the priority of revenue application in DOE Order RA 6120.2 in which these obligations have a higher priority of debt repayment. Therefore, the study scheduled the repayment of Federal debt around these obligations.

Based on these parameters, the repayment study establishes a schedule of planned Federal amortization payments and resulting gross Federal interest expense by determining the lowest levelized debt service stream necessary to repay all transmission obligations within the required repayment period. *See* Repayment Program Tables in Appendix A. Further discussion of the repayment program is included in the Documentation, TR-06-FS-BPA-01A, Chapter 12. Chapter 5 of this Study explains repayment policies and requirements.

4. TRANSMISSION REVENUE REQUIREMENTS

This chapter explains the cost accounting formats used to develop the revenue requirements for FYs 2006 and 2007. Section 4.1.1 provides a line-by-line description of the Revenue Requirement Income Statement and Section 4.1.2 provides a line-by-line description of the Revenue Requirement Statement of Cash Flows.

4.1 Revenue Requirement Format

For each year of a rate test period, BPA prepares two tables that reflect the process by which revenue requirements are determined. The Income Statement includes projections of Total Expenses, Planned Net Revenues for Risk, and, if necessary, a Minimum Required Net Revenues component. The Statement of Cash Flows shows the analysis used to determine Minimum Required Net Revenues and the cash available for risk mitigation.

The Income Statement (Table 3 of this Study) displays the components of the annual revenue requirements, which include Total Operating Expenses (Line 5), Net Interest Expense (Line 15), Minimum Required Net Revenues (Line 17), and Planned Net Revenues for Risk (Line 18). The sum of these four major components is the Total Revenue Requirement (Line 20) for each year of the rate period.

The Minimum Required Net Revenues (Table 3, Line 17) result from an analysis of the Statement of Cash Flows (Table 4 of this Study). Minimum Required Net Revenues may be necessary to ensure that revenue requirements are sufficient to cover all cash requirements, including annual amortization of the Federal investment as determined in the transmission repayment studies.

The Statement of Cash Flows (Table 4) analyzes annual cash inflows and outflows. Cash Provided by Current Operations (Line 9), driven by the Expenses Not Requiring Cash shown in Lines 4, 5 and 6, must be sufficient to compensate for the difference between Cash Used for Capital Investments (Line 13) and Cash From Treasury Borrowing (Line 19). If cash provided by Current Operations is not sufficient, Minimum Required Net Revenues (Line 2) must be included in revenue requirements to accommodate the shortfall, yielding at least a zero Annual Increase in Cash (Line 20). The Minimum Required Net Revenues shown on the Statement of Cash Flows (Line 2) then is incorporated in the Income Statement (Table 3, Line 17).

4.1.1 Income Statement

Below is a line-by-line description of the components in the Income Statement (Table 3). The Documentation, TR-06-FS-BPA-01A, provides additional information on the development and use of the data contained in the tables.

Operation and Maintenance (Line 2). Operation and Maintenance represents FCRTS O&M expenses incurred by BPA. Specific O&M expenses include transmission scheduling, transmission marketing, transmission system operations, transmission system maintenance, transmission system development, environment, non-Federal transmission arrangements, leases, TBL general and administrative, TBL support services, Civil Service Retirement System pension expense, and corporate administrative and support services. *See* Documentation, TR-06-FS-BPA-01A, Chapter 2.

Transmission Acquisition & Ancillary Services (Line 3). Inter-business line expenses, resulting from functional separation, and ancillary services products, include the PBL generation inputs to ancillary services, station service and remedial action schemes, and the cost of Corps of Engineers and Bureau of Reclamation transmission facilities serving the network and utility delivery segments. *See* Documentation, TR-06-FS-BPA-01A, Chapter 2.

Federal Projects Depreciation (Line 4). Depreciation is the annual capital recovery expense associated with FCRTS plant-in-service. BPA transmission and general plant are depreciated by the straight-line method of calculation, using the remaining life technique. *See* Documentation, TR-06-E -BPA-01A, Chapter 3.

Total Operating Expenses (Line 5). Total Operating Expenses is the sum of the above expenses (Lines 2 through 4).

Debt Service Reassignment Interest (Line 7). Debt service reassignment interest consists of the interest component of the debt service reassigned to TBL through the Debt Optimization Program. *See* Documentation, TR-06-E -BPA-01A, Chapter 7.

Interest on Appropriated Funds (Line 9). Interest on Appropriated Funds consists of interest on the appropriations BPA received prior to the full implementation of BPA's self-financing authority and is determined in the transmission repayment studies. *See* Documentation, TR-06-FS-BPA-01A, Chapter 2.

Interest on Long-Term Debt (Line 10). Interest on long-term debt includes interest on bonds that BPA issues to the Treasury to fund investments in transmission plant, environment, general plant supportive of transmission, and capital equipment. Such interest expense is determined in the transmission repayment studies. Any payments of call premiums for bonds projected to be amortized are included in this line. *See* Documentation, TR-06-FS-BPA-01A, Chapter 2.

Interest Income (Line 11). Interest income also is computed on the projected year-end cash balances in the BPA fund attributable to the transmission function that carry over into the next year. It is credited against bond interest. Also included is an interest income credit calculated in the transmission repayment studies on funds to be collected during each year for payments of Federal interest and amortization at the end of the fiscal year. A further explanation of the calculation of the interest credit computed within the transmission repayment studies is included in Appendix A. *See* Documentation, TR-06-FS-BPA-01A, Chapter 4.

Amortization of Capitalized Bond Premiums (Line 12). When a bond issued to the Treasury is refinanced, any call premium resulting from early retirement of the original bond is capitalized and included in the principal of the new bond. The capitalized call premium then is amortized over the term of the new bond. The annual amortization is a non-cash component of interest expense. *See* Documentation, TR-06-FS-BPA-01A, Chapter 2.

Capitalization Adjustment (Line 13). Implementation of the Refinancing Act entailed a change in capitalization on BPA's financial statements. Outstanding appropriations attributed to the transmission function were reduced by $470 million as a result of the refinancing. The reduction is recognized annually over the remaining repayment period of the refinanced appropriations. The annual recognition of this adjustment is based on the increase in annual interest expense resulting from implementation of the Act, as shown in repayment studies for the year of the refinancing transaction (1997). The capitalization adjustment is included on the income statement as a non-cash, contra-expense. *See* Documentation, TR-06-FS-BPA-01A, Chapter 2.

Allowance for Funds Used During Construction (AFUDC) (Line 14). AFUDC is a credit against interest on long-term debt (Line 10). This non-cash reduction to interest expense reflects an estimate of interest on the funds used during the construction period of facilities that are not yet in service. AFUDC is capitalized along with other construction costs and is recovered through rates over the expected service life of the related plant as part of the depreciation expense after the facilities are placed in service.

Net Interest Expense (Line 15). Net Interest Expense is computed as the sum of Debt Service Reassignment Interest (line 7), Interest on Appropriated Funds (Line 9), Interest on Long-Term Debt (Line 10), Interest Income (Line 11), Amortization of Capitalized Bond Premiums (Line 12), Capitalization Adjustment (Line 13), and AFUDC (Line 14).

Total Expenses (Line 16). Total Expenses are the sum of Total Operating Expenses (Line 5) and Net Interest Expense (Line 15).

Minimum Required Net Revenues (Line 17). Minimum Required Net Revenues, an input from Line 2 of the Statement of Cash Flows (Table 4), may be necessary to cover cash requirements in excess of accrued expenses. An explanation of the method used for determining the Minimum Required Net Revenues is included in Section 4.1.2 below.

Planned Net Revenues for Risk (Line 18). Planned Net Revenues for Risk is the amount of net revenues, if any, to be included in rates for financial risk mitigation. There are no Planned Net Revenues for Risk included in the Final Rate Proposal. Starting TBL reserves in FY 2006 are projected to be sufficient to mitigate risk in FYs 2006 and 2007.

Total Planned Net Revenues (Line 19). Total Planned Net Revenues is the sum of Minimum Required Net Revenues (Line 17) and Planned Net Revenues for Risk (Line 18).

Total Revenue Requirement (Line 20). Total Revenue Requirement is the sum of Total Expenses (Line 16) and Total Planned Net Revenues (Line 19).

4.1.2 Statement of Cash Flows.

Below is a line-by-line description of each of the components in the Statement of Cash Flows (Table 4). The Documentation, TR-06-FS-BPA-01A, provides additional information related to the use and development of the data contained in the cash flow table.

Minimum Required Net Revenues (Line 2). Determination of this line is a result of annual cash inflows and outflows shown on the Statement of Cash Flows. Minimum Required Net Revenues may be necessary so that the Cash Provided By Current Operations (Line 9) will be sufficient to cover the planned amortization payments (the difference between Lines 13 and 19) without causing the Annual Increase (Decrease) in Cash (Line 20) to be negative. The Minimum Required Net Revenues amount determined in the Statement of Cash Flows is incorporated in the Income Statement (Table 3, Line 17).

Federal Projects Depreciation (Line 4). Depreciation is from the Income Statement (Table 3, Line 4). It is a negative item included in computing Cash Provided By Current Operations (Table 4, Line 9) because it is a non-cash expense of the FCRTS.

Amortization of Capitalized Bond Premiums (Line 5). Amortization of Capitalized Bond Premiums, from the Income Statement (Table 3, Line 12), is a non-cash expense.

Capitalization Adjustment (Line 6). The Capitalization Adjustment, from the Income Statement (Table 3, Line 13), is a non-cash (contra) expense.

Accrual Revenues (AC Intertie/Fiber) (Line 7). BPA accounts for the AC Intertie non-Federal capacity ownership lump-sum payments received in FY 1995 as unearned revenues that are recognized as annual accrued revenues over the estimated average service life of the associated transmission facilities. Similarly, some leases of fiber optic capacity have included up-front payments, the annual accrued revenues for which are being recognized over the life of the particular contract. The annual accrual revenues, which are part of the total revenues recovering the FCRTS revenue requirement, are included here as a non-cash adjustment to cash from current operations.

Drawdown of Cash Reserves for Capital Funding (Line 8). The Drawdown of Cash Reserves for Capital Funding refers to the use of cash accumulated from transmission revenues in prior rate periods to fund capital expenditures in each year of the rate period.

Cash Provided By Current Operations (Line 9). Cash Provided By Current Operations, the sum of Lines 2, 4, 5, 6, 7, and 8 is available for the year to satisfy cash requirements.

Investment in Utility Plant (Line 12). Investment in Utility Plant represents the annual increase in capital expenditures for additions and replacements to the transmission system funded by Treasury bonds or available cash reserves. *See* Chapter 2 of this Study.

Cash Used for Capital Investments (Line 13). Cash Used for Capital Investments is the sum of investments in utility plant.

Increase in Long-Term Debt (Line 15). Increase in Long-Term Debt reflects the new bonds issued by BPA to the U.S. Treasury to fund the construction and environmental capital equipment programs. Also included in this amount may be any notes issued to the U.S. Treasury. *See* Documentation, TR-06-FS-BPA-01A, Chapter 6.

Debt Service Reassignment Principal (Line 16). Debt Service Reassignment Principal is the principal component of the debt service obligation reassigned to TBL through the Debt Optimization Program. *See* Chapter 2.3.4.

Repayment of Long-Term Debt (Line 17). Repayment of Long-Term Debt is BPA's planned repayment of outstanding bonds issued by BPA to the U.S. Treasury, as determined in the repayment studies. *See* Documentation, TR-06-FS-BPA-01A, Chapter 2.

Repayment of Capital Appropriations (Line 18). Repayment of Capital Appropriations represents projected amortization of outstanding BPA appropriations (pre-self-financing) as determined in the repayment studies. *See* Documentation, TR-06-FS-BPA-01A, Chapter 2.

Cash From Treasury Borrowing and Appropriations (Line 19). Cash From Treasury Borrowing and Appropriations is the sum of Lines 15 through 18. This is the net cash flow resulting from increases in cash from new long-term debt and decreases in cash from repayment of long-term debt and capital appropriations.

Annual Increase (Decrease) in Cash (Line 20). Annual Increase (Decrease) in Cash, the sum of Lines 9, 13, and 19, reflects the annual net cash flow from current operations and investing and financing activities. Revenue requirements are set to meet all projected annual cash flow requirements, as included on the Statement of Cash Flows. A decrease shown in this line would indicate that annual revenues are insufficient to cover the year's cash requirements.

In such cases, Minimum Required Net Revenues are included to offset such decrease. *See* discussion above of Minimum Required Net Revenues (Line 2).

Planned Net Revenues For Risk (Line 21). Planned Net Revenues For Risk reflects the amounts included in revenue requirements to meet BPA's risk mitigation objectives (from Table 3, Line 18.)

Total Annual Increase (Decrease) in Cash (Line 22). Total Annual Increase (Decrease) in Cash, the sum of Lines 20 and 21, is the total annual cash that is projected to be available to add to BPA's cash reserves.

4.2 Current Revenue Test

Consistent with RA 6120.2, the continuing adequacy of existing rates must be tested annually. The current revenue test determines whether the revenues expected from current rates can continue to meet cost recovery requirements.

For the rate test period, the demonstration of the inadequacy of current rates is shown on Tables 5 and 6. Table 5 is a pro forma income statement for each year. Table 6, Statement of Cash Flows, tests the sufficiency of the resulting Net Revenues from Table 5 (Line 17) for making the planned annual amortization payments. The Total Annual Increase (Decrease) in Cash (Table 6, Line 20) must be at least zero to demonstrate the adequacy of the projected revenues to cover all cash payment requirements. The current revenue test shows that current rates are substantially insufficient to satisfy cost recovery requirements in the rate period.

Table 7 shows the inadequacy of current rates to satisfy cost recovery requirements over the 35-year repayment period. The focal point of this table is the Net Position (Column K), which is the amount of funds provided by revenues from current rates that remain after meeting annual expenses requiring cash for the rate period and repayment of the Federal investment. Thus, if the Net Position is zero or greater in each year of the rate approval period through the repayment period, the projected revenues from current rates demonstrate BPA's ability to repay the Federal investment in the FCRTS within the allowable time. As shown in Column K, the Net Position results are negative for each year of the rate approval period and in each year of the repayment period.

4.3 Revised Revenue Test

Consistent with RA 6120.2, the adequacy of proposed rates must be demonstrated. The revised revenue test determines whether the revenues projected from proposed rates will meet cost recovery requirements as well as the Treasury Payment Probability risk goal for the rate approval period. The revised revenue test was conducted using the forecast of revenues under proposed rates. *See* Documentation, TR-06-FS-BPA-01A, Chapter 13, for the revenue forecast under current and proposed rates. The results of the revised revenue test demonstrate that proposed rates are adequate to fulfill the basic cost recovery requirements for the rate test period of FYs 2006 and 2007.

For the rate test period, the demonstration of the adequacy of proposed rates is shown on Tables 8 and 9. Table 8 presents pro forma income statements for each year. Table 9, Statement of Cash Flows, tests the sufficiency of the resulting Net Revenues from Table 8 (Line 17) for making the planned annual amortization. This is demonstrated by the Total Annual Increase (Decrease) in Cash (Table 9, Line 20). The annual cash flow (Line 20) must be at least zero to demonstrate the adequacy of the projected revenues to cover all cash payment requirements.

4.4 Repayment Test at Proposed Rates

Table 10 demonstrates whether projected revenues from proposed rates are adequate to meet the cost recovery criteria of RA 6120.2 over the repayment period. The data are presented in a format consistent with the revised revenue tests (Tables 8 and 9) and separate accounting analyses. The focal point of this table is the Net Position (Table 10, Column K), which is the amount of funds provided by revenues that remain after meeting annual expenses requiring cash for the rate period and repayment of the Federal investment. Thus, if the Net Position is zero or greater in each year of the rate approval period through the repayment period, the projected revenues demonstrate BPA's ability to repay the Federal investment in the FCRTS within the allowable time. As shown in Column K, the resulting Net Position is greater than zero for each year of the rate approval period and in each year of the repayment period.

The historical data on this table have been taken from BPA's separate accounting analysis. The rate test period data have been developed specifically for this rate filing. The repayment period data are presented in a manner consistent with the requirements of RA 6120.2.

5. LEGAL REQUIREMENTS AND POLICIES

This chapter summarizes the statutory framework that guides the development of BPA's transmission revenue requirement and the recovery of BPA's transmission costs and expenses among the various users of the FCRTS, and the repayment policies that BPA follows in the development of its revenue requirement.

5.1 Development of BPA's Revenue Requirements

BPA's revenue requirements are governed by three main legislative acts: the Flood Control Act of 1944, P.L. No. 78-534, 58 Stat. 890, amended 1977; the Federal Columbia River Transmission System Act (Transmission System Act) of 1974, P.L. No. 93-454, 88 Stat. 1376; and the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act), P.L. No. 96-501, 94 Stat. 2697. Other statutory provisions that guide the development of BPA's revenue requirements include the Federal Power Act, as amended by the Energy Policy Act of 1992 (EPA-92), P.L. No. 102-486. 106 Stat. 2776; and the Omnibus Consolidated Rescissions and Appropriations Act of 1996, P.L. No. 104-134, Stat. 132.

DOE Order "Power Marketing Administration Financial Reporting", RA 6120.2, issued by the Secretary of Energy provides guidance to Federal power marketing agencies regarding repayment of the Federal investment. In addition, policies issued by the FERC provide guidance on transmission pricing.

5.1.1 Legal Requirement Governing BPA's Revenue Requirement.

BPA constructs, operates, and maintains the FCRTS within the Pacific Northwest and makes improvements or replacements thereto as are appropriate and required to: (a) integrate and transmit electric power from existing or additional Federal or non-Federal generating units; (b) provide service to BPA customers; (c) provide inter-regional transmission facilities; and (d) maintain the electrical stability and reliability of the Federal system. Section 4 of the Federal Columbia River Transmission System Act (Transmission System Act), 16 U.S.C. §838b. The transmission system is built to encourage the widest possible use of all electric energy. Section 5, Flood Control Act, 16 U.S.C. §825s.

BPA's rates must be set in a manner that ensures revenue levels sufficient to recover its costs. This requirement was first set forth in Section 7 of the Bonneville Project Act, 16 U.S.C. § 832f (as amended 1977) which provided that:

> *Rate schedules shall be drawn having regard to the recovery (upon the basis of the application of such rate schedules to the capacity of the electric facilities of the Bonneville project) of the cost of producing and transmitting such electric energy, including the amortization of the capital investment over a reasonable period of years.*

This cost recovery principle was repeated for Army reservoir projects in Section 5 of the Flood Control Act of 1944, 16 U.S.C. 825s (as amended 1977). In 1974, Section 9 of the Transmission System Act, 16 U.S.C, § 838g, expanded the cost recovery principle so that BPA's rates also would be set to recover:

> *payments provided [in the Administrator's annual budget], and (3) at levels to produce such additional revenues as may be required, in the aggregate with all other revenues of the Administrator, to pay when due the principal of, premiums, discounts, and expenses in connection with the issuance of and interest on all bonds issued and outstanding pursuant to [this Act,] and amounts required to establish and maintain reserve and other funds and accounts established in connection therewith.*

The Northwest Power Act reiterates and clarifies the cost recovery principle. Section 7(a)(1) of the Northwest Power Act, 16 U.S.C. § 839e(a)(1), provides that:

> *The Administrator shall establish, and periodically review and revise, rates for the sale and disposition of electric energy and capacity and for the transmission of non-Federal power. Such rates shall be established and, as appropriate, revised to recover, in accordance with sound business principles, the costs associated with the acquisition, conservation, and transmission of electric power, including the amortization of the Federal investment in the Federal Columbia River Power System (including irrigation costs required to be repaid out of power revenues) over a reasonable period of years and the other costs and expenses incurred by the Administrator pursuant to this Act and other provisions of law. Such rates shall be established in accordance with Sections 9 and 10 of the Federal Columbia River Transmission System Act (16 U.S.C. § 838), Section 5 of the Flood Control Act of 1944, and the provisions of this Chapter.*

The Northwest Power Act also provides that FERC's confirmation and approval of BPA rates shall assure that the revenue requirement is adequate to recover BPA's costs and ensure timely U.S. Treasury repayments. Section 7(a)(2), 16 U.S.C. § 839e(a)(2), provides:

> *Rates established under this section shall become effective only, except in the case of interim rules as provided in subsection (i)(6), upon confirmation and approval by the Federal Energy Regulatory Commission upon a finding by the Commission, that such rates*:
>
> *(A) are sufficient to assure repayment of the Federal investment in the Federal Columbia River Power System over a reasonable number of years after first meeting the Administrator's other costs.*
>
> *(B) are based upon the Administrator's total system costs; and*
>
> *(C) insofar as transmission rates are concerned, equitably allocate the costs of the Federal transmission system between Federal and non-Federal power utilizing such system.*

In October 1992, Congress amended the Federal Power Act to allow FERC to order a transmitting utility, including BPA, to provide transmission services (including the enlargement of transmission capacity necessary to provide such services) to an applicant. Section 211(a) of the Federal Power Act, 16 U.S.C. § 824j(a). In applying the Federal Power Act provisions to

FERC-ordered transmission service on the FCRTS, section 212(i), 16 U.S.C. § 824k(i)(1)(B), provides that FERC shall assure that

> *(i) the provisions of otherwise applicable Federal laws shall continue in full force and effect and shall continue to be applicable to the system; and*
>
> *(ii) the rates for the transmission of electric power on the system shall be governed only by such otherwise applicable provisions of law and not by any provision of section 824i of this title, 824j of this title, this section, and section 824l of this title, except that no rate for the transmission of power on the system shall be unjust, unreasonable, or unduly discriminatory or preferential , as determined by the Commission.*

In its final rule, *Promoting Wholesale Competition Through Open Access non-Discriminatory transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities, Order No. 888 (Order 888),* FERC Stats. & Regs. Par.31,036 (1996), FERC established safe harbor protections for non-public utilities like BPA from FERC ordered transmission service under the Federal Power Act. *See* 18 CFR §35.28(e). The safe harbor provisions apply if FERC finds the non-public utility's open access transmission tariff is an acceptable reciprocity tariff. In determining whether the non-public utility's tariff is consistent with FERC's comparability standards, FERC requires sufficient information to conclude that the non-public utility's rates associated with tariff service are comparable to the rates it charges others, and also requires separate rates be established for transmission and ancillary services. FERC Stats. & Regs. Par.31,036, 31,761 (1996),

Development of the revenue requirement is a critical component of meeting the statutory cost recovery principles. The costs associated with FCRTS and associated services and expenses, as well as other costs incurred by the Administrator in furtherance of BPA's mission, are included in the Study.

5.1.2 The BPA Appropriations Refinancing Act.

As in the prior rate period, BPA's transmission rates for the FYs 2006 - 2007 rate period will reflect the requirements of the Refinancing Act, part of the Omnibus Consolidated Rescissions and Appropriations Act of 1996, P.L. No. 104-134, 110 Stat. 1321, enacted in April 1996. The Refinancing Act required that unpaid principal on BPA appropriations ("old capital investments") at the end of FY 1996 be reset at the present value of the principal and annual interest payments BPA would make to the U.S. Treasury for these obligations absent the Refinancing Act, plus $100 million. 16 U.S.C. § 838l(b). The Refinancing Act also specified that the new principal amounts of the old capital investments be assigned new interest rates from the Treasury yield curve prevailing at the time of the refinancing transaction. 16 U.S.C. §838l(a)(6)(A).

The Refinancing Act restricts prepayment of the new principal for old capital investments to $100 million during the first five years after the effective date of the financing. 16 U.S.C. § 838l(e). The Refinancing Act also specifies that repayment periods on new principal amounts may not be earlier than determined prior to the refinancing. 16 U.S.C. §838l(d).

The Refinancing Act also directs the Administrator to offer to provide assurance in new or existing power, transmission, or related service contracts that the Government would not increase the repayment obligations in the future. 16 U.S.C. §838l(i).

5.2 Repayment Requirements and Policies

5.2.1 Separate Repayment Studies.

Section 10 of the Transmission System Act, 16 U.S.C. §838h, and section 7(a)(2)(C) of the Northwest Power Act, 16 U.S.C. §839e(a)(2)(C), provide that the recovery of the costs of the Federal transmission system shall be equitably allocated between Federal and non-Federal power utilizing such system. In 1982, FERC first directed BPA to provide accounting and repayment statements for its transmission system separate and apart from the accounting and repayment statements for the Federal generation system. *See* 20 FERC ¶61,142 (1982). FERC required BPA to establish books of account for the FCRTS separate from its generation costs; explained that the FCRTS shall be comprised of all investments, including administrative and management costs, related to the transmission of electric power; and directed BPA to develop repayment studies for its transmission function separate from its generation function that set forth the date of each investment, the repayment date and the amount repaid from transmission revenues. *See* 26 FERC ¶ 61,096 (1984). FERC approved BPA's methodology for separate repayment studies in 1984. 28 FERC ¶61,325 (1984).

BPA has prepared separate repayment studies for its transmission and generation functions since 1984. BPA therefore has developed the transmission revenue requirement with no change in this repayment policy.

5.2.2 Repayment Schedules.

The statutes applicable to BPA do not include specific directives for scheduling repayment of old capital appropriations and bonds issued to Treasury other than a directive that the Federal investment be amortized over a reasonable period of years. BPA's repayment policy has been established largely through administrative interpretation of its statutory requirements, with Congressional encouragement and occasional admonishment.

There have been a number of changes in BPA's repayment policy over the years concurrent with expansion of the Federal system and changing conditions. In general, current repayment criteria first were approved by the Secretary of the Interior on April 3, 1963. These criteria were refined and submitted to the Secretary and the Federal Power Commission (the predecessor agency to FERC) in support of BPA's rate filing in September 1965.

The repayment policy was presented to Congress for its consideration for the authorization of the Grand Coulee Dam Third Powerhouse in June 1966. The underlying theory of repayment was discussed in the House of Representatives' Report related to authorization of this project, H.R. Rep. No. 1409, 89th Cong., 2d Sess. 9-10 (1966). As stated in that report:

> *Accordingly, in a repayment study there is no annual schedule of capital repayment. The test of the sufficiency of revenues is whether the capital investment can be repaid within the overall repayment period established for each power project, each increment of investment in the transmission system, and each block of irrigation assistance. Hence, repayment may proceed at a faster or slower pace from year-to-year as conditions change.*

This approach to repayment scheduling has the effect of averaging the year-to-year variations in costs and revenues over the repayment period. This results in a uniform cost per unit of power sold, and permits the maintenance of stable rates for extended periods. It also facilitates the orderly marketing of power and permits BPA's customers, which include both electric utilities and electro-process industries, to plan for the future with assurance.

The Secretary of the Interior issued a statement of power policy on September 30, 1970, setting forth general principles that reaffirmed the repayment policy as previously developed. The most pertinent of these principles was set forth in the Department of the Interior Manual, Part 730, Chapter 1:

> A. *Hydroelectric power, although not a primary objective, will be proposed to Congress and supported for inclusion in multiple-purpose Federal projects when . . . it is capable of repaying its share of the Federal investment, including operation and maintenance costs and interest, in accordance with the law.*
>
> B. *Electric power generated at Federal projects will be marketed at the lowest rates consistent with sound financial management. Rates for the sale of Federal electric power will be reviewed periodically to assure their sufficiency to repay operating and maintenance costs and the capital investment within 50 years with interest that more accurately reflects the cost of money.*

To achieve a greater degree of uniformity in repayment policy for all Federal power marketing agencies, the Deputy Assistant Secretary of the Department of the Interior (DOI) issued a memo on August 2, 1972, outlining: (1) a uniform definition of the commencement of the repayment period for a particular project; (2) the method for including future replacement costs in repayment studies; and (3) a provision that the investment or obligation bearing the highest interest rate shall be amortized first, to the extent possible, while still complying with the prescribed repayment period established for each increment of investment.

A further clarification of the repayment policy was outlined in a joint memo of January 7, 1974, from the Assistant Secretary for Reclamation and Assistant Secretary for Energy and Minerals.

This memo states that in addition to meeting the overall objective of repaying the Federal investment or obligations within the prescribed repayment periods, revenues shall be adequate, except in unusual circumstances, to repay annually all costs for O&M, purchased power, and interest.

On March 22, 1976, the Department of the Interior issued Chapter 4 of Part 730 of the DOI Manual to codify financial reporting requirements for the Federal power marketing agencies. Included therein are standard policies and procedures for preparing system repayment studies.

BPA and other Federal power marketing agencies were transferred to the newly established Department of Energy (DOE) on October 1, 1977. *See* DOE Organization Act, 42 U.S.C. § 7101 et seq. (1994). The DOE adopted the policies set forth in Part 730 of the DOI Manual by issuing Interim Management Directive No. 1701 on September 28, 1977, which subsequently was replaced by RA 6120.2 issued on September 20, 1979, as amended on October 1, 1983.

The repayment policy outlined in DOE Order RA 6120.2, paragraph 12, provides that BPA's total revenues from all sources must be sufficient to:

1. Pay all annual costs of operating and maintaining the Federal system;
2. Pay the cost each fiscal year of obtaining power through purchase and exchange agreements, the cost for transmission services, and other costs during the year in which such costs are incurred;
3. Pay interest expense each year on the unamortized portion of the Federal investment financed with appropriated funds at the interest rates established for each Federal

generating project and for each annual increment of such investment in the BPA transmission system, except that recovery of annual interest expense may be deferred in unusual circumstances for short periods of time;

4. Pay when due the interest and amortization portion on outstanding bonds sold to the U.S. Treasury; and
5. Repay:
   a. each dollar of power investments and obligations in the Federal generating projects within 50 years after the projects become revenue producing, except as otherwise provided by law;
   b. each annual increment of Federal transmission investments and obligations within the average service life of such transmission facilities or within a maximum of 50 years, whichever is less; and
   c. the cost of each replacement of the Federal system within its service life up to a maximum of 50 years.

While RA 6120.2 allows repayment period of up to 50 years, BPA has set due dates at no more than 40 years to reflect expected service lives of new transmission investment. The Refinancing Act overrides provisions in RA 6120.2 related to determining interest during construction and assigning interest rates to Federal investments financed by appropriations. This Act also contains provisions on repayment periods (due dates) for the refinanced appropriations investments. The Refinancing Act is discussed in section 5.1.2 of this Study.

In addition, other sections within RA 6120.2 require that any outstanding deferred interest payments must be repaid before any planned amortization payments are made. Also, repayments are to be made by amortizing those Federal investments and obligations bearing the highest interest rate first, to the extent possible, while still completing repayment of each increment of Federal investment and obligation within its prescribed repayment period.

TABLES

TABLE 1

PROJECTED NET REVENUES FROM PROPOSED RATES
($000s)

Fiscal Year		Transmission
2006	Projected Revenues From Proposed Rates	$708,011
	Projected Expenses	$684,469
	Net Revenues	**$23,542**
2007	Projected Revenues From Proposed Rates	$717,600
	Projected Expenses	$725,586
	Net Revenues	**($7,986)**
Average FYs 2006-2007	**Projected Revenues From Proposed Rates**	**$712,806**
	Projected Expenses	**$705,028**
	Net Revenues	**$7,778**

The TPP for the two year rate period is greater than 95%.

TABLE 2

PLANNED REPAYMENTS TO U.S. TREASURY
FYs 2006 – 2007 TRANSMISSION REPAYMENT STUDIES
($000s)

Fiscal Year	Annual Amortization
2006	$175,307
2007	$170,300
Total	$345,607

TABLE 3

TRANSMISSION REVENUE REQUIREMENT
INCOME STATEMENT
($thousands)

		A	B
		FY 2006	**FY 2007**
1	OPERATING EXPENSES		
2	OPERATION AND MAINTENANCE	254,493	260,584
3	TRANSMISSION ACQUISITION & ANCILLARY SERVICES	82,384	86,057
4	FEDERAL PROJECTS DEPRECIATION	195,884	207,517
5	TOTAL OPERATING EXPENSES	532,761	554,158
6	INTEREST EXPENSE		
7	DEBT SERVICE REASSIGNMENT INTEREST	25,656	25,656
8	INTEREST ON FEDERAL INVESTMENT -		
9	ON APPROPRIATED FUNDS	48,047	44,449
10	ON LONG-TERM DEBT	119,853	139,725
11	INTEREST INCOME	(10,681)	(10,321)
12	AMORTIZATION OF CAPITALIZED BOND PREMIUMS	3,009	2,900
13	CAPITALIZATION ADJUSTMENT	(18,968)	(18,968)
14	AFUDC	(14,753)	(11,516)
15	NET INTEREST EXPENSE	152,163	171,925
16	TOTAL EXPENSES	684,924	726,083
17	MINIMUM REQUIRED NET REVENUES 1/	4,806	0
18	PLANNED NET REVENUES FOR RISK	0	0
19	TOTAL PLANNED NET REVENUES	4,806	0
20	**TOTAL REVENUE REQUIREMENT**	**689,730**	**726,083**

1/ SEE NOTE ON CASH FLOW TABLE.

TABLE 4

TRANSMISSION REVENUE REQUIREMENT
STATEMENT OF CASH FLOWS
($thousands)

		A FY 2006	B FY 2007
1	CASH FROM CURRENT OPERATIONS:		
2	MINIMUM REQUIRED NET REVENUES 1/	4,806	0
3	EXPENSES NOT REQUIRING CASH:		
4	FEDERAL PROJECTS DEPRECIATION	195,884	207,517
5	AMORTIZATION OF CAPITALIZED BOND PREMIUMS	3,009	2,009
6	CAPITALIZATION ADJUSTMENT	(18,968)	(18,968)
7	ACCRUAL REVENUES (AC INTERTIE/FIBER) 2/	(9,424)	(6,744)
8	DRAWDOWN OF CASH RESERVES FOR CAPITAL FUNDING	15,000	15,000
9	CASH PROVIDED BY CURRENT OPERATIONS	190,307	199,705
10	CASH USED FOR CAPITAL INVESTMENTS:		
11	INVESTMENT IN:		
12	UTILITY PLANT	(268,617)	(279,464)
13	CASH USED FOR CAPITAL INVESTMENTS	(268,617)	(279,464)
14	CASH FROM TREASURY BORROWING AND APPROPRIATIONS:		
15	INCREASE IN LONG TERM DEBT	253,617	264,464
16	DEBT SERVICE REASSIGNMENT PRINCIPAL PAYMENT		
17	REPAYMENT OF LONG-TERM DEBT	(124,938)	(152,700)
18	REPAYMENT OF CAPITAL APPROPRIATIONS	(50,369)	(17,600)
19	CASH FROM TREASURY BORROWING AND APPROPRIATIONS	78,310	94,164
20	ANNUAL INCREASE (DECREASE) IN CASH	0	14,405
21	PLANNED NET REVENUES FOR RISK	0	0
22	TOTAL ANNUAL INCREASE (DECREASE) IN CASH	0	14,405

1/ Line 20 must be greater than or equal zero, otherwise net revenues are added so that there are no negative cash flows for the year.
2/ In 2006, includes $2,680 of an accrual-to-cash adjustment pertaining to Schultz-Wautoma AFUDC.

TABLE 5

CURRENT REVENUE TEST
INCOME STATEMENT
($thousands)

		A	B
		FY 2006	**FY 2007**
1	REVENUES FROM CURRENT RATES	635,258	643,100
2	OPERATING EXPENSES		
3	OPERATION AND MAINTENANCE	254,493	260,584
4	INTER-BUSINESS LINE EXPENSES	82,384	86,057
5	FEDERAL PROJECTS DEPRECIATION	195,884	207,517
6	TOTAL OPERATING EXPENSES	532,761	554,158
7	INTEREST EXPENSE		
8	DSR INTEREST	25,656	25,656
9	ON APPROPRIATED FUNDS	48,047	44,449
10	ON LONG-TERM DEBT	119,853	139,725
11	INTEREST CREDIT ON CASH RESERVES	(9,408)	(5,511)
12	AMORTIZATION OF CAPITALIZED BOND PREMIUMS	3,009	2,900
13	CAPITALIZATION ADJUSTMENT	(18,968)	(18,968)
14	AFUDC	(14,753)	(11,516)
15	NET INTEREST EXPENSE	153,436	176,735
16	TOTAL EXPENSES	686,197	730,893
17	NET REVENUES	(50,939)	(87,793)

TABLE 6

CURRENT REVENUE TEST
STATEMENT OF CASH FLOWS
($thousands)

		A FY 2006	B FY 2007
1	CASH FROM CURRENT OPERATIONS:		
2	NET REVENUES	(50,939)	(87,793)
3	EXPENSES NOT REQUIRING CASH:		
4	FEDERAL PROJECTS DEPRECIATION	195,884	207,517
5	AMORTIZATION OF CAPITALIZED BOND PREMIUMS	3,009	2,900
6	CAPITALIZATION ADJUSTMENT	(18,968)	(18,968)
7	ACCRUAL REVENUES (AC INTERTIE/FIBER) 1/	(9,424)	(6,744)
8	DRAWDOWN OF CASH RESERVES FOR CAPITAL FUNDING	15,000	15,000
9	CASH PROVIDED BY CURRENT OPERATIONS	134,562	111,912
10	CASH USED FOR CAPITAL INVESTMENTS:		
11	INVESTMENT IN:		
12	UTILITY PLANT	(268,617)	(279,464)
13	CASH USED FOR CAPITAL INVESTMENTS	(268,617)	(279,464)
14	CASH FROM TREASURY BORROWING AND APPROPRIATIONS:		
15	INCREASE IN LONG-TERM DEBT	253,617	264,464
16	DEBT SERVICE REASSIGNMENT PRINCIPAL PAYMENT		
17	REPAYMENT OF LONG-TERM DEBT	(124,938)	(152,700)
18	REPAYMENT OF CAPITAL APPROPRIATIONS	(50,369)	(17,600)
19	CASH FROM TREASURY BORROWING AND APPROPRIATIONS	78,310	94,164
20	**ANNUAL INCREASE (DECREASE) IN CASH**	**(55,745)**	**(73,388)**

1/ In 2006, includes $2,680 of an accrual-to-cash adjustment pertaining to Schultz-Wautoma AFUDC.

TABLE 7

FEDERAL COLUMBIA RIVER POWER SYSTEM
TRANSMISSION REVENUES FROM CURRENT RATES
REVENUE REQUIREMENT AND REPAYMENT STUDY RESULTS THROUGH THE REPAYMENT PERIOD
($000)

	A	B	C	D	E	F	G	H	I	J	K
YEAR	REVENUES (STATEMENT A)	OPERATION & MAINTENANCE (STATEMENT E)	PURCHASE AND EXCHANGE POWER (STATEMENT E)	DEPRECIATION	NET INTEREST (STATEMENT D)	NET REVENUES (F=A-B-C-D-E)	NONCASH EXPENSES 1/ (COLUMN D)	FUNDS FROM OPERATION (H=F+G)	AMORTIZATION (REV REQ STUDY DOC,V 2,C 3)	IRRIGATION AMORTIZATION (STATEMENT C)	NET POSITION (K=H-I-J)
COMBINED CUMULATIVE											
1977	3,298,951	963,839	348,748	807,047	1,220,170	(40,853)	807,047	766,194	628,460		137,734
TRANSMISSION											
1978	116,430	69,767		51,503	60,337	(65,177)	51,503	(13,674)	194		(13,868)
1979	107,017	73,801		53,756	69,112	(89,652)	53,756	(35,896)	26		(35,922)
1980	170,603	77,594		55,613	78,039	(40,643)	55,613	14,970	2		14,968
1981	202,740	87,243		59,638	87,665	(31,806)	59,638	27,832	1,236 **2/**		26,596
1982	269,200	91,562		64,458	106,190	6,990	64,458	71,448	0		71,448
1983	359,641	99,520		67,969	138,268	53,884	67,969	121,853	0		121,853
1984	417,821	101,406		60,360	158,783	97,272	60,360	157,632	26,722 **3/**		130,910
1985	510,030	141,623		71,012	160,336	137,059	71,012	208,071	199,646		8,425
1986	446,435	144,438		77,574	178,460	45,963	77,574	123,537	180,915		(57,378)
1987	456,728	148,596		85,807	177,020	45,305	85,807	131,112	148,860		(17,748)
1988	405,154	167,102		90,076	164,131	(16,155)	90,076	73,921	44,757		29,164
1989	422,202	175,240		93,076	164,044	(10,158)	93,076	82,918	119,322		(36,404)
1990	426,855	183,512		98,881	153,440	(8,978)	98,881	89,903	99,460		(9,557)
1991	439,871	199,668		98,731	139,458	2,014	98,731	100,745	70,930		29,815
1992	428,769	209,868		101,946	143,789	(26,834)	101,946	75,112	190,864		(115,752)
1993	417,555	189,926		101,929	173,271	(47,571)	101,929	54,358	130,989		(76,631)
1994	462,511	202,309		103,956	179,052	(22,806)	103,956	81,150	55,977		25,173
1995	490,264	200,501		112,940	181,744	(4,921)	112,940	264,019 **/4**	281,789		(17,770)
1996	534,456	206,128		125,961	165,175	37,192	123,219	145,411 **/5**	155,000		(9,589)
1997	503,217	197,202		124,457	176,977	4,581	109,802	114,383	125,000		(10,617)
1998	539,925	228,802		125,130	174,022	11,971	117,884	129,855	185,955		(56,100)
1999	552,134	231,410		147,176	173,574	(26)	133,779	133,753	139,784		(6,031)
2000	578,340	270,153		154,069	165,330	(11,212)	135,358	124,146	114,587		9,559
2001	646,673	282,851		154,881	165,404	43,537	151,746	195,283	59,064		136,219
2002	720,382	364,511		161,042	150,718	44,111	148,912	193,023	131,667		61,356
2003	663,601	326,248		171,129	168,996	(2,772)	160,628	473,056	470,747		2,309
2004	644,059	313,994		204,445	137,822	(12,202)	225,406	403,481 **/5**	359,500		43,981
COST EVALUATION PERIOD											
2005	634,151	335,303		190,400	128,538	(20,090)	174,191	139,101 **/5**	155,001		(15,900)
RATE APPROVAL PERIOD											
2006	635,258	336,877		195,884	153,436	(50,939)	170,501	119,562	175,307		(55,745)
2007	643,100	346,641		207,517	176,735	(87,793)	184,705	96,912	170,300		(73,388)

REPAYMENT PERIOD											
2008	643,100	346,641	7,730	207,517	183,483	(102,271)	184,705	82,434	157,848		(75,414)
2009	643,100	346,641	12,514	207,517	185,760	(109,332)	184,705	75,373	150,787		(75,414)
2010	643,100	346,641	4,757	207,517	184,515	(100,330)	184,705	84,375	159,789		(75,414)
2011	643,100	346,641	5,059	207,517	183,014	(99,131)	184,705	85,574	160,988		(75,414)
2012	643,100	346,641	28,540	207,517	183,003	(122,601)	184,705	62,104	137,518		(75,414)
2013	643,100	346,641	92,126	207,517	184,466	(187,650)	184,705	(2,945)	72,469		(75,414)
2014	643,100	346,641	71,362	207,517	187,748	(170,168)	184,705	14,537	89,951		(75,414)
2015	643,100	346,641	68,478	207,517	187,952	(167,487)	184,705	17,218	92,632		(75,414)
2016	643,100	346,641	72,691	207,517	190,423	(174,172)	184,705	10,533	85,947		(75,414)
2017	643,100	346,641	88,175	207,517	193,781	(193,015)	184,705	(8,310)	67,104		(75,414)
2018	643,100	346,641	102,699	207,517	196,227	(209,984)	184,705	(25,279)	50,135		(75,414)
2019	643,100	346,641	(526)	207,517	198,974	(109,506)	184,705	75,199	150,613		(75,414)
2020	643,100	346,641	4,459	207,517	191,802	(107,320)	184,705	77,385	152,799		(75,414)
2021	643,100	346,641	4,383	207,517	193,379	(108,820)	184,705	75,885	151,297		(75,412)
2022	643,100	346,641	4,304	207,517	197,171	(112,532)	184,705	72,173	147,587		(75,414)
2023	643,100	346,641	4,230	207,517	198,314	(113,602)	184,705	71,103	146,517		(75,414)
2024	643,100	346,641	4,152	207,517	201,876	(117,086)	184,705	67,619	143,033		(75,414)
2025	643,100	346,641	4,080	207,517	208,666	(123,804)	184,705	60,901	136,315		(75,414)
2026	643,100	346,641	4,011	207,517	212,225	(127,294)	184,705	57,411	132,825		(75,414)
2027	643,100	346,641	3,952	207,517	215,039	(130,049)	184,705	54,656	130,070		(75,414)
2028	643,100	346,641	3,900	207,517	215,917	(130,874)	184,705	53,831	129,243		(75,412)
2029	643,100	346,641	3,860	207,517	228,298	(143,215)	184,705	41,490	116,904		(75,414)
2030	643,100	346,641	3,827	207,517	232,278	(147,163)	184,705	37,542	112,956		(75,414)
2031	643,100	346,641	3,809	207,517	235,908	(150,775)	184,705	33,930	109,344		(75,414)
2032	643,100	346,641	3,813	207,517	240,642	(155,513)	184,705	29,192	104,606		(75,414)
2033	643,100	346,641	32,916	207,517	248,235	(192,209)	184,705	(7,504)	67,910		(75,414)
2034	643,100	346,641	89,497	207,517	259,557	(260,112)	184,705	(75,407)	2		(75,409)
2035	643,100	346,641	(2,642)	207,517	272,163	(180,579)	184,705	4,126	79,540		(75,414)
2036	643,100	346,641	(2,595)	207,517	280,166	(188,629)	184,705	(3,924)	71,490		(75,414)
2037	643,100	346,641	(2,539)	207,517	289,186	(197,705)	184,705	(13,000)	62,414		(75,414)
2038	643,100	346,641	(2,473)	207,517	299,278	(207,863)	184,705	(23,158)	52,256		(75,414)
2039	643,100	346,641	(2,410)	207,517	309,941	(218,589)	184,705	(33,884)	41,530		(75,414)
2040	643,100	346,641	(2,352)	207,517	321,215	(229,921)	184,705	(45,216)	30,193		(75,409)
2041	643,100	346,641	(2,297)	207,517	333,173	(241,934)	184,705	(57,229)	18,176		(75,405)
2042	643,100	346,641	(2,247)	207,517	345,635	(254,446)	184,705	(69,741)	5,673		(75,414)
TRANSMISSION TOTALS	36,353,622	18,136,231	709,240	10,674,411	12,439,275	(5,605,535)	9,750,031	4,775,973	5,209,422	0	(2,536,091)

1/CONSISTS OF DEPRECIATION PLUS ANY ACCOUNTING WRITE-OFFS INCLUDED IN EXPENSES.

2/CONSISTS OF AMORTIZATION ($1,650) AND DEFERRAL PAYMENT ($2,760).

3/CONSISTS OF AMORTIZATION ($1,342) AND DEFERRAL PAYMENT ($190,952).

4/INCREASED BY 156,000 AC INTERTIE CAPACITY OWNERSHIP PAYMENT.

5/REDUCED BY $15,000 OF REVENUE FINANCING.

TABLE 8

REVISED REVENUE TEST
INCOME STATEMENT
($thousands)

		A FY 2006	B FY 2007
1	REVENUES FROM PROPOSED RATES	708,011	717,600
2	OPERATING EXPENSES		
3	OPERATION AND MAINTENANCE	254,493	260,584
4	INTER-BUSINESS LINE EXPENSES	82,384	86,057
5	FEDERAL PROJECTS DEPRECIATION	195,884	207,517
6	TOTAL OPERATING EXPENSES	532,761	554,158
7	INTEREST EXPENSE		
8	DSR INTEREST	25,656	25,656
9	ON APPROPRIATED FUNDS	48,047	44,449
10	ON LONG-TERM DEBT	119,853	139,725
11	INTEREST CREDIT ON CASH RESERVES	(11,136)	(10,818)
12	AMORTIZATION OF CAPITALIZED BOND PREMIUMS	3,009	2,900
13	CAPITALIZATION ADJUSTMENT	(18,968)	(18,968)
14	AFUDC	(14,753)	(11,516)
15	NET INTEREST EXPENSE	151,708	171,428
16	TOTAL EXPENSES	684,469	725,586
17	NET REVENUES	23,542	(7,986)

TABLE 9

REVISED REVENUE TEST
STATEMENT OF CASH FLOWS
($thousands)

		A	B
		FY 2006	**FY 2007**
1	CASH FROM CURRENT OPERATIONS:		
2	NET REVENUES	23,542	(7,986)
3	EXPENSES NOT REQUIRING CASH:		
4	FEDERAL PROJECTS DEPRECIATION	195,884	207,517
5	AMORTIZATION OF CAPITALIZED BOND PREMIUMS	3,009	2,900
6	CAPITALIZATION ADJUSTMENT	(18,968)	(18,968)
7	ACCRUAL REVENUES (AC INTERTIE/FIBER) 1/	(9,424)	(6,744)
8	DRAWDOWN OF CASH RESERVES FOR CAPITAL FUNDING	15,000	15,000
9	CASH PROVIDED BY CURRENT OPERATIONS	209,043	191,719
10	CASH USED FOR CAPITAL INVESTMENTS:		
11	INVESTMENT IN:		
12	UTILITY PLANT	(268,617)	(279,464)
13	CASH USED FOR CAPITAL INVESTMENTS	(268,617)	(279,464)
14	CASH FROM TREASURY BORROWING AND APPROPRIATIONS:		
15	INCREASE IN LONG-TERM DEBT	253,617	264,464
16	DEBT SERVICE REASSIGNMENT PRINCIPAL PAYMENT		
17	REPAYMENT OF LONG-TERM DEBT	(124,938)	(152,700)
18	REPAYMENT OF CAPITAL APPROPRIATIONS	(50,369)	(17,600)
19	CASH FROM TREASURY BORROWING AND APPROPRIATIONS	78,310	94,164
20	**ANNUAL INCREASE (DECREASE) IN CASH**	**18,736**	**6,419**

1/ In 2006, includes $2,680 of an accrual-to-cash adjustment pertaining to Schultz-Wautoma AFUDC.

TABLE 10

FEDERAL COLUMBIA RIVER POWER SYSTEM
TRANSMISSION REVENUES FROM PROPOSED RATES
REVENUE REQUIREMENT AND REPAYMENT STUDY RESULTS THROUGH THE REPAYMENT PERIOD
($000)

	A	B	C	D	E	F	G	H	I	J	K
YEAR	REVENUES (STATEMENT A)	OPERATION & MAINTENANCE (STATEMENT E)	PURCHASE AND EXCHANGE POWER (STATEMENT E)	DEPRECIATION	NET INTEREST (STATEMENT D)	NET REVENUES (F=A-B-C-D-E)	NONCASH EXPENSES 1/ (COLUMN D)	FUNDS FROM OPERATION (H=F+G)	AMORTIZATION (REV REQ STUDY DOC,V 2,C 3)	IRRIGATION AMORTIZATION (STATEMENT C)	NET POSITION (K=H-I-J)
COMBINED CUMULATIVE											
1977	3,298,951	963,839	348,748	807,047	1,220,170	(40,853)	807,047	766,194	628,460		137,734
TRANSMISSION											
1978	116,430	69,767		51,503	60,337	(65,177)	51,503	(13,674)	194		(13,868)
1979	107,017	73,801		53,756	69,112	(89,652)	53,756	(35,896)	26		(35,922)
1980	170,603	77,594		55,613	78,039	(40,643)	55,613	14,970	2		14,968
1981	202,740	87,243		59,638	87,665	(31,806)	59,638	27,832	1,236 2/		26,596
1982	269,200	91,562		64,458	106,190	6,990	64,458	71,448	0		71,448
1983	359,641	99,520		67,969	138,268	53,884	67,969	121,853	0		121,853
1984	417,821	101,406		60,360	158,783	97,272	60,360	157,632	26,722 3/		130,910
1985	510,030	141,623		71,012	160,336	137,059	71,012	208,071	199,646		8,425
1986	446,435	144,438		77,574	178,460	45,963	77,574	123,537	180,915		(57,378)
1987	456,728	148,596		85,807	177,020	45,305	85,807	131,112	148,860		(17,748)
1988	405,154	167,102		90,076	164,131	(16,155)	90,076	73,921	44,757		29,164
1989	422,202	175,240		93,076	164,044	(10,158)	93,076	82,918	119,322		(36,404)
1990	426,855	183,512		98,881	153,440	(8,978)	98,881	89,903	99,460		(9,557)
1991	439,871	199,668		98,731	139,458	2,014	98,731	100,745	70,930		29,815
1992	428,769	209,868		101,946	143,789	(26,834)	101,946	75,112	190,864		(115,752)
1993	417,555	189,926		101,929	173,271	(47,571)	101,929	54,358	130,989		(76,631)
1994	462,511	202,309		103,956	179,052	(22,806)	103,956	81,150	55,977		25,173
1995	490,264	200,501		112,940	181,744	(4,921)	112,940	264,019 /4	281,789		(17,770)
1996	534,456	206,128		125,961	165,175	37,192	123,219	145,411 /5	155,000		(9,589)
1997	503,217	197,202		124,457	176,977	4,581	109,802	114,383	125,000		(10,617)
1998	539,925	228,802		125,130	174,022	11,971	117,884	129,855	185,955		(56,100)
1999	552,134	231,410		147,176	173,574	(26)	133,779	133,753	139,784		(6,031)
2000	578,340	270,153		154,069	165,330	(11,212)	135,358	124,146	114,587		9,559
2001	646,673	282,851		154,881	165,404	43,537	151,746	195,283	59,064		136,219
2002	720,382	364,511		161,042	150,718	44,111	148,912	193,023	131,667		61,356
2003	663,601	326,248		171,129	168,996	(2,772)	160,628	473,056	470,747		2,309
2004	644,059	313,994		204,445	137,822	(12,202)	225,406	403,481 /5	359,500		43,981
COST EVALUATION PERIOD											
2005	634,151	335,303		190,400	128,538	(20,090)	174,191	139,101 /5	155,001		(15,900)
RATE APPROVAL PERIOD											
2006	708,011	336,877		195,884	151,708	23,542	170,501	194,043	175,307		18,736
2007	717,600	346,641		207,517	171,428	(7,986)	184,705	176,719	170,300		6,419

REPAYMENT PERIOD											
2008	717,600	346,641	7,730	207,517	178,175	(22,463)	184,721	162,258	157,848		4,410
2009	717,600	346,641	12,514	207,517	180,452	(29,524)	184,721	155,197	150,787		4,410
2010	717,600	346,641	4,757	207,517	179,207	(20,522)	184,721	164,199	159,789		4,410
2011	717,600	346,641	5,059	207,517	177,706	(19,323)	184,721	165,398	160,988		4,410
2012	717,600	346,641	28,540	207,517	177,695	(42,793)	184,721	141,928	137,518		4,410
2013	717,600	346,641	92,126	207,517	179,158	(107,842)	184,721	76,879	72,469		4,410
2014	717,600	346,641	71,362	207,517	182,440	(90,360)	184,721	94,361	89,951		4,410
2015	717,600	346,641	68,478	207,517	182,644	(87,679)	184,721	97,042	92,632		4,410
2016	717,600	346,641	72,691	207,517	185,115	(94,364)	184,721	90,357	85,947		4,410
2017	717,600	346,641	88,175	207,517	188,473	(113,207)	184,721	71,514	67,104		4,410
2018	717,600	346,641	102,699	207,517	190,919	(130,176)	184,721	54,545	50,135		4,410
2019	717,600	346,641	(526)	207,517	193,666	(29,698)	184,721	155,023	150,613		4,410
2020	717,600	346,641	4,459	207,517	186,494	(27,512)	184,721	157,209	152,799		4,410
2021	717,600	346,641	4,383	207,517	188,071	(29,012)	184,721	155,709	151,297		4,412
2022	717,600	346,641	4,304	207,517	191,863	(32,724)	184,721	151,997	147,587		4,410
2023	717,600	346,641	4,230	207,517	193,006	(33,794)	184,721	150,927	146,517		4,410
2024	717,600	346,641	4,152	207,517	196,568	(37,278)	184,721	147,443	143,033		4,410
2025	717,600	346,641	4,080	207,517	203,358	(43,996)	184,721	140,725	136,315		4,410
2026	717,600	346,641	4,011	207,517	206,917	(47,486)	184,721	137,235	132,825		4,410
2027	717,600	346,641	3,952	207,517	209,731	(50,241)	184,721	134,480	130,070		4,410
2028	717,600	346,641	3,900	207,517	210,609	(51,066)	184,721	133,655	129,243		4,412
2029	717,600	346,641	3,860	207,517	222,990	(63,407)	184,721	121,314	116,904		4,410
2030	717,600	346,641	3,827	207,517	226,970	(67,355)	184,721	117,366	112,956		4,410
2031	717,600	346,641	3,809	207,517	230,600	(70,967)	184,721	113,754	109,344		4,410
2032	717,600	346,641	3,813	207,517	235,334	(75,705)	184,721	109,016	104,606		4,410
2033	717,600	346,641	32,916	207,517	242,927	(112,401)	184,721	72,320	67,910		4,410
2034	717,600	346,641	89,497	207,517	254,249	(180,304)	184,721	4,417	2		4,415
2035	717,600	346,641	(2,642)	207,517	266,855	(100,771)	184,721	83,950	79,540		4,410
2036	717,600	346,641	(2,595)	207,517	274,858	(108,821)	184,721	75,900	71,490		4,410
2037	717,600	346,641	(2,539)	207,517	283,878	(117,897)	184,721	66,824	62,414		4,410
2038	717,600	346,641	(2,473)	207,517	293,970	(128,055)	184,721	56,666	52,256		4,410
2039	717,600	346,641	(2,410)	207,517	304,633	(138,781)	184,721	45,940	41,530		4,410
2040	717,600	346,641	(2,352)	207,517	315,907	(150,113)	184,721	34,608	30,193		4,415
2041	717,600	346,641	(2,297)	207,517	327,865	(162,126)	184,721	22,595	18,176		4,419
2042	717,600	346,641	(2,247)	207,517	340,327	(174,638)	184,721	10,083	5,673		4,410
TRANSMISSION TOTALS	39,108,375	18,136,231	709,240	10,674,411	12,246,460	(2,657,967)	9,750,591	7,724,101	5,209,422	0	412,037

1/CONSISTS OF DEPRECIATION PLUS ANY ACCOUNTING WRITE-OFFS INCLUDED IN EXPENSES.

2/CONSISTS OF AMORTIZATION ($1,650) AND DEFERRAL PAYMENT ($2,760).

3/CONSISTS OF AMORTIZATION ($1,342) AND DEFERRAL PAYMENT ($190,952).

4/INCREASED BY 156,000 AC INTERTIE CAPACITY OWNERSHIP PAYMENT.

5/REDUCED BY $15,000 OF REVENUE FINANCING.

FIGURES

FIGURE 1
TRANSMISSION REVENUE REQUIREMENT PROCESS

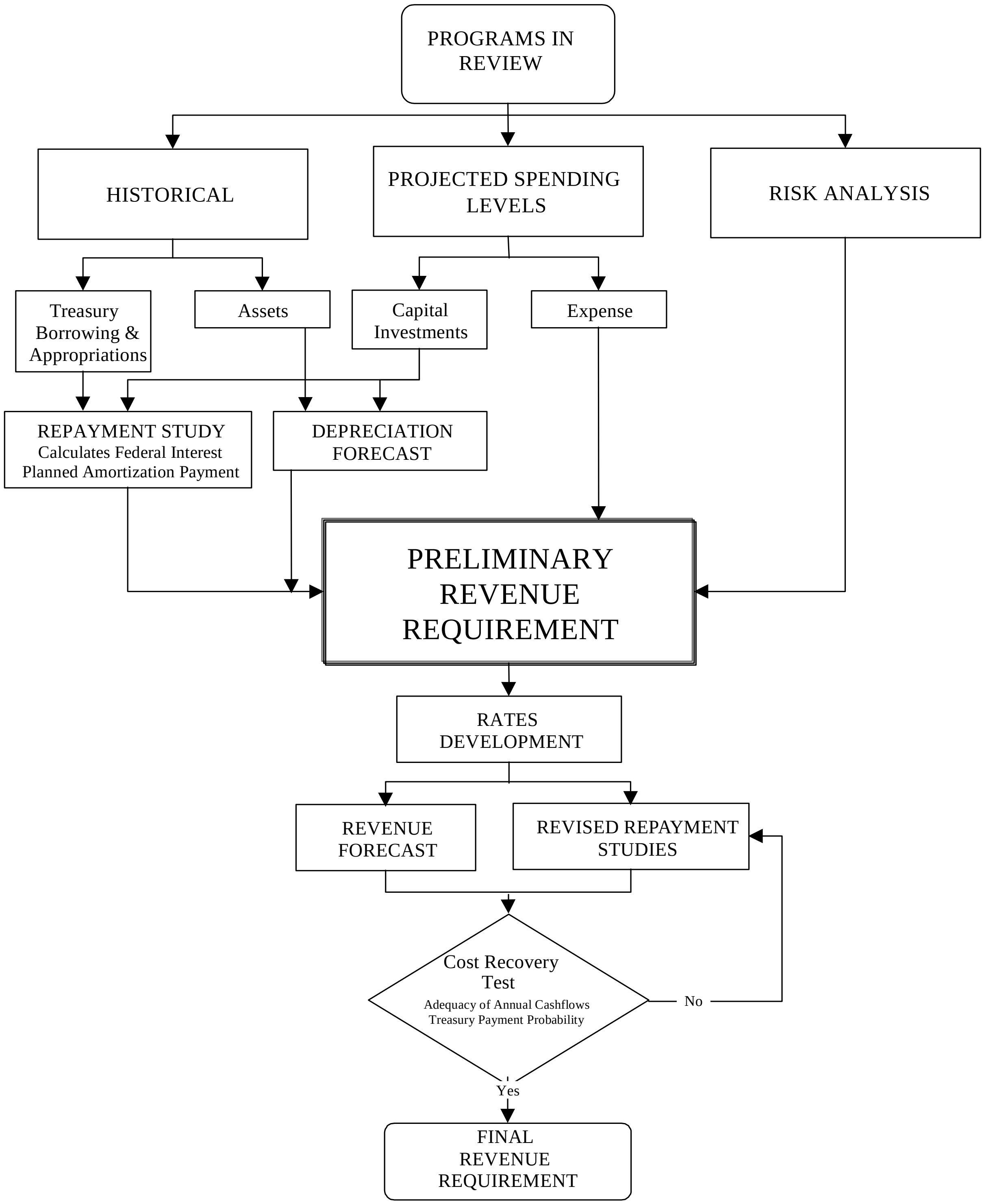
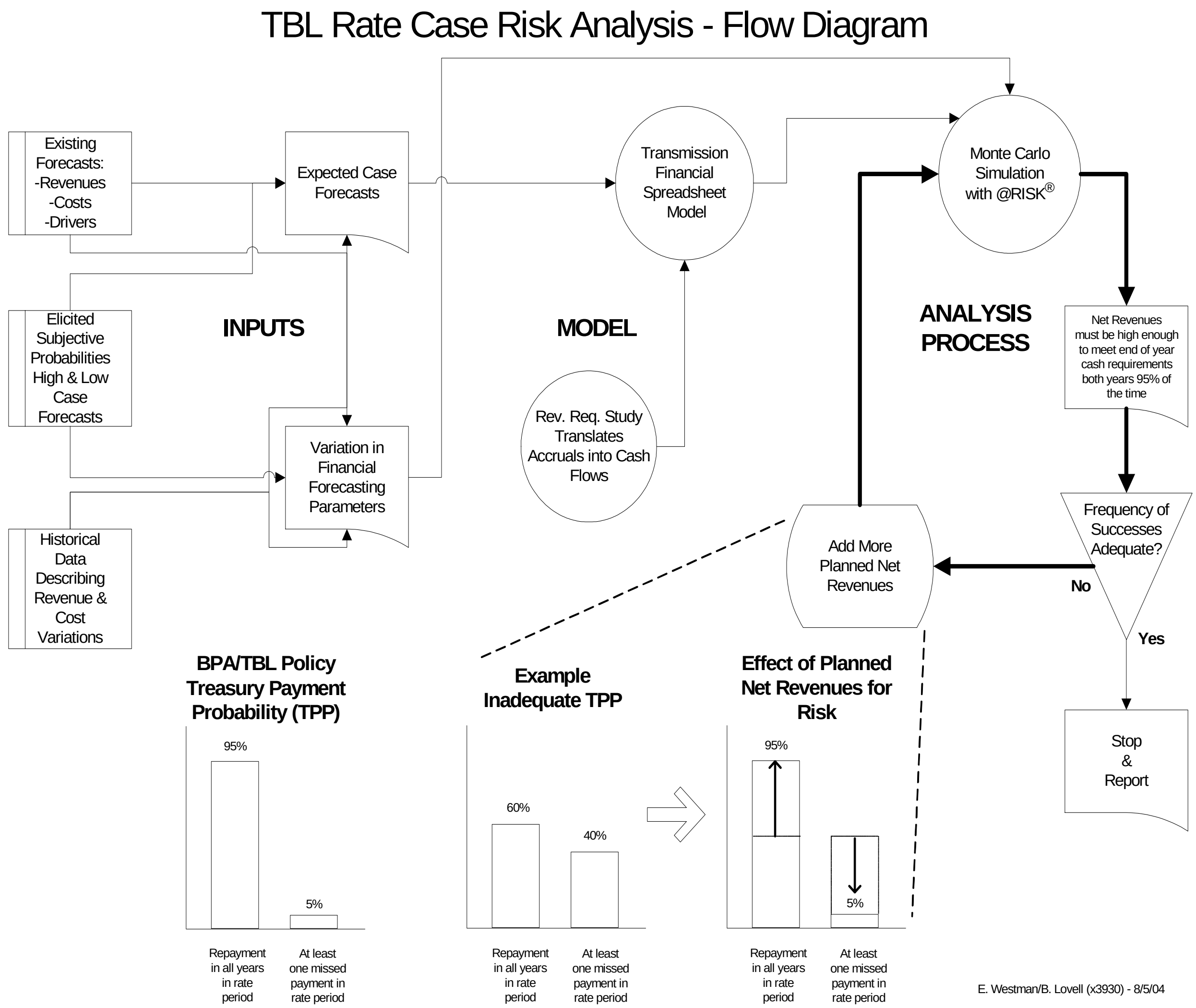


FIGURE 2


TBL Rate Case Risk Analysis - Flow Diagram
Existing Forecasts: -Revenues -Costs -Drivers
Expected Case Forecasts
Transmission Financial Spreadsheet Model
Monte Carlo Simulation with @RISK®
Elicited Subjective Probabilities High & Low Case Forecasts
INPUTS
MODEL
ANALYSIS PROCESS
Net Revenues must be high enough to meet end of year cash requirements both years 95% of the time
Variation in Financial Forecasting Parameters
Rev. Req. Study Translates Accruals into Cash Flows
Historical Data Describing Revenue & Cost Variations
Add More Planned Net Revenues
Frequency of Successes Adequate?
No
Yes
Stop & Report
BPA/TBL Policy Treasury Payment Probability (TPP)
95%
5%
Repayment in all years in rate period
At least one missed payment in rate period
Example Inadequate TPP
60%
40%
Repayment in all years in rate period
At least one missed payment in rate period
Effect of Planned Net Revenues for Risk
95%
5%
Repayment in all years in rate period
At least one missed payment in rate period
E. Westman/B. Lovell (x3930) - 8/5/04

APPENDIX A

Repayment Program Tables

DESCRIPTION OF REPAYMENT PROGRAM TABLES

Table A.1 shows the amortization results from the Transmission revised repayment studies for FYs 2006 and 2007, summarized by year for both due and discretionary bonds and appropriations.

Tables A.2, A through E, and Tables A.3, A through E, show the results of the Transmission repayment studies for FYs 2006 and 2007, respectively, using revenues from current rates. Table A.4 provides the application of amortization through the repayment period for transmission based upon the revenues forecast using revised rates.

Tables A.2A and A.3A display the repayment program results for transmission for FYs 2006 and 2007. The first column shows the applicable fiscal year. The second column shows the total investment costs of the transmission projects through the cost evaluation period. *See* Chapter 3 of the Documentation for the Revenue Requirement Study, TR-06-FS-BPA-01A. In the third column, forecasted replacements required to maintain the system are displayed through the repayment period. *See* Chapter 8 of Documentation for Revenue Requirement Study, TR-06-FS-BPA-01A. The fourth column shows the cumulative dollar amount of the transmission investment placed in service. This is comprised of historical plant-in-service, planned replacements and additions to plant through the cost evaluation period, and replacements from the end of the cost evaluation period to the end of the repayment study period. In these studies all additional plant is assumed to be financed by bonds.

The fifth column displays scheduled amortization payments for transmission for each year of the repayment period. Unamortized transmission obligations, shown in the last column, are determined by taking the previous year's unamortized amount, adding any replacements, and subtracting amortization.

Tables A.2B and A.3B display planned principal payments by fiscal year for Federal transmission obligations. Shown on these tables are the principal payments associated with appropriations and BPA bonds.

Tables A.2C and A.3C show the planned interest payments by fiscal year for Federal transmission obligations. Shown on these tables are the interest payments associated with appropriations and BPA bonds.

Tables A.2D and A.3D show a summary of the Federal transmission principal and interest payments through the repayment period.

Tables A.2E and A.3E compare the schedule of unamortized Federal transmission obligations resulting from the transmission repayment studies to those obligations that are due and must be paid for each year of the repayment period. The Unamortized Investment column shows remaining obligations for each year of the repayment period and is identical to the data shown in the last column of Tables A.2A and A.3A. The Term Schedule column shows obligations that are due for each year. It should be noted that unamortized obligations are always less than the term schedule, indicating that planned repayments are in excess of repayment obligations, thereby satisfying repayment requirements. (The total of Unamortized Investment need not be zero at the end of the repayment period because of the replacements occurring subsequent to the cost evaluation period.)

Table A.4 lists by year through the 35-year repayment period the application of the transmission amortization payments, consistent with the repayment studies, by project. The projected annual amortization payments on the transmission obligations are identified by the project name, in-service date, due date, and interest rate. The amount of the obligation is shown as both the original gross amount due and the net amount after all prior amortization payments.

TABLE A.1

TRANSMISSION AMORTIZATION
REVISED REPAYMENT STUDY FOR FINAL PROPOSAL 2006
FY 2006-2007
(000s)

Maturing/Due		
Bonds		
	2006	124,938
	2007	152,700
		277,638
Appropriations		
	2006	15,739
	2007	17,600
		33,339
TOTAL DUE		**310,977**

Scheduled But Not Yet Due		
Bonds		
	2006	0
	2007	0
		0
Appropriations		
	2006	34,630
	2007	0
		34,630
TOTAL DISC		34,630

Total by Year		
Bonds		
	2006	124,938
	2007	152,700
		277,638
Appropriations		
	2006	50,369
	2007	17,600
		67,969
TOTAL AMORTIZATION	2006	175,307
	2007	170,300
		345,607

TABLE A.2A

BONNEVILLE POWER ADMINISTRATION

OCTOBER 1, 2004 - SEPTEMBER 30, 2007 COST EVALUATION PERIOD

Transmission 3-year Final RC w/ Corrected 3rd Party (ENW) and Revenue Finance 5-5-05

Table B: Transmission Investments Placed in Service (1000s) (FY 2006)

						Investment Placed in Service
Date	Initial Project	Replacements	Cumulative Amount in Service	Amortization	Discretionary Amortization	UnAmortized Investment
09/30/2004	2,505,826.00	203,306.00	2,709,132.00	-	-	2,709,132.00
09/30/2005	233,098.00	-	2,942,230.00	155,000.00	1.00	2,787,229.00
09/30/2006	253,617.50	-	3,195,847.50	140,677.00	34,629.80	2,865,539.70
09/30/2007	-	118,591.00	3,314,438.50	164,990.71	-	2,819,139.99
09/30/2008	-	122,945.00	3,437,383.50	148,032.00	8,269.26	2,785,783.73
09/30/2009	-	127,001.00	3,564,384.50	82,589.00	66,782.30	2,763,413.43
09/30/2010	-	130,989.00	3,695,373.50	116,259.00	42,253.03	2,735,890.40
09/30/2011	-	134,879.00	3,830,252.50	138,240.00	21,612.26	2,710,917.14
09/30/2012	-	138,865.00	3,969,117.50	21,457.00	115,064.26	2,713,260.88
09/30/2013	-	143,033.00	4,112,150.50	18,250.00	53,356.68	2,784,687.20
09/30/2014	-	147,381.00	4,259,531.50	78,248.00	10,969.06	2,842,851.14
09/30/2015	-	151,707.00	4,411,238.50	-	92,014.98	2,902,543.16
09/30/2016	-	155,961.00	4,567,199.50	-	86,202.79	2,972,301.37
09/30/2017	-	160,079.00	4,727,278.50	-	66,959.63	3,065,420.74
09/30/2018	-	163,942.00	4,891,220.50	-	50,018.14	3,179,344.60
09/30/2019	-	167,822.00	5,059,042.50	65,000.00	85,653.18	3,196,513.42
09/30/2020	-	171,702.00	5,230,744.50	141,919.00	10,774.75	3,215,521.67
09/30/2021	-	175,451.00	5,406,195.50	151,254.78	-	3,239,717.89
09/30/2022	-	179,049.00	5,585,244.50	100,000.00	47,553.46	3,271,213.43
09/30/2023	-	182,517.00	5,767,761.50	135,000.00	11,662.42	3,307,068.01
09/30/2024	-	185,748.00	5,953,509.50	108,010.00	35,305.90	3,349,500.11
09/30/2025	-	188,650.00	6,142,159.50	-	136,890.19	3,401,259.92
09/30/2026	-	191,261.00	6,333,420.50	-	133,393.37	3,459,127.55
09/30/2027	-	193,596.00	6,527,016.50	-	130,544.42	3,522,179.13
09/30/2028	-	195,689.00	6,722,705.50	129,578.27	-	3,588,289.86
09/30/2029	-	197,467.00	6,920,172.50	-	117,449.73	3,668,307.13
09/30/2030	-	199,009.00	7,119,181.50	-	112,191.21	3,755,124.92
09/30/2031	-	200,238.00	7,319,419.50	106,600.00	3,070.82	3,845,692.10
09/30/2032	-	201,290.00	7,520,709.50	93,323.96	11,602.28	3,942,055.86
09/30/2033	-	202,133.00	7,722,842.50	40,000.00	28,192.97	4,075,995.89
09/30/2034	-	202,533.00	7,925,375.50	204.75	-	4,278,324.14
09/30/2035	-	202,799.00	8,128,174.50	-	78,715.45	4,402,407.69
09/30/2036	-	202,998.00	8,331,172.50	-	70,968.05	4,534,437.64
09/30/2037	-	202,965.00	8,534,137.50	-	62,019.97	4,675,382.67
09/30/2038	-	202,820.00	8,736,957.50	-	51,619.77	4,826,582.90
09/30/2039	-	202,634.00	8,939,591.50	-	40,611.16	4,988,605.74
09/30/2040	-	202,489.00	9,142,080.50	28,949.53	-	5,162,145.21
09/30/2041	-	202,489.00	9,344,569.50	-	16,354.32	5,348,279.89
09/30/2042	-	-	9,344,569.50	-	8,250.26	5,340,029.63
Total	$2,992,541.50	$6,352,028.00	-	$2,163,583.00	$1,840,956.87	-

TABLE A.2B

BONNEVILLE POWER ADMINISTRATION

OCTOBER 1, 2004 - SEPTEMBER 30, 2007 COST EVALUATION PERIOD

Transmission 3-year Final RC w/ Corrected 3rd Party (ENW) and Revenue Finance 5-5-05

Table C: Principal Payments (FY 2006)

Date	Transmission Bonds	Transmission Appropriations
09/30/2005	153,500.00	1,501.00
09/30/2006	124,938.00	50,368.80
09/30/2007	152,700.00	12,290.71
09/30/2008	137,119.00	19,182.26
09/30/2009	72,700.00	76,671.30
09/30/2010	89,932.00	68,580.03
09/30/2011	115,000.00	44,852.26
09/30/2012	-	136,521.26
09/30/2013	-	71,606.68
09/30/2014	59,050.00	30,167.06
09/30/2015	-	92,014.98
09/30/2016	22,830.13	63,372.66
09/30/2017	66,959.63	-
09/30/2018	50,018.14	-
09/30/2019	150,653.18	-
09/30/2020	152,693.75	-
09/30/2021	151,254.78	-
09/30/2022	147,553.46	-
09/30/2023	146,662.42	-
09/30/2024	143,315.90	-
09/30/2025	136,890.19	-
09/30/2026	133,393.37	-
09/30/2027	130,544.42	-
09/30/2028	129,578.27	-
09/30/2029	117,449.73	-
09/30/2030	112,191.21	-
09/30/2031	109,670.82	-
09/30/2032	104,926.24	-
09/30/2033	68,192.97	-
09/30/2034	204.75	-
09/30/2035	78,715.45	-
09/30/2036	70,968.05	-
09/30/2037	62,019.97	-
09/30/2038	51,619.77	-
09/30/2039	40,611.16	-
09/30/2040	28,949.53	-
09/30/2041	16,354.32	-
09/30/2042	8,250.26	-
Total	**$3,337,410.87**	**$667,129.00**

(1) Net of interest income and AFUDC.

TABLE A.2C

BONNEVILLE POWER ADMINISTRATION

OCTOBER 1, 2004 - SEPTEMBER 30, 2007 COST EVALUATION PERIOD

Transmission 3-year Final RC w/ Corrected 3rd Party (ENW) and Revenue Finance 5-5-05

Table D: Interest Payments (FY 2006)

Date	Transmission Bonds	Transmission Appropriations
09/30/2005	104,857.92	48,150.24
09/30/2006	113,208.57	48,046.52
09/30/2007	128,244.03	44,465.93
09/30/2008	135,371.09	43,608.04
09/30/2009	138,885.75	42,239.10
09/30/2010	143,186.51	36,676.69
09/30/2011	146,852.30	31,734.25
09/30/2012	149,928.52	28,506.03
09/30/2013	161,157.90	18,604.53
09/30/2014	170,658.74	13,417.04
09/30/2015	177,281.07	11,233.76
09/30/2016	189,025.16	4,572.24
09/30/2017	200,660.62	-
09/30/2018	206,589.67	-
09/30/2019	213,471.62	-
09/30/2020	211,503.02	-
09/30/2021	213,014.88	-
09/30/2022	216,797.00	-
09/30/2023	217,760.76	-
09/30/2024	221,183.91	-
09/30/2025	227,681.15	-
09/30/2026	231,245.40	-
09/30/2027	234,154.68	-
09/30/2028	235,170.05	-
09/30/2029	247,340.71	-
09/30/2030	252,633.23	-
09/30/2031	255,171.49	-
09/30/2032	259,912.82	-
09/30/2033	267,545.53	-
09/30/2034	278,949.48	-
09/30/2035	292,584.55	-
09/30/2036	300,286.95	-
09/30/2037	309,182.03	-
09/30/2038	319,518.23	-
09/30/2039	330,467.84	-
09/30/2040	342,068.46	-
09/30/2041	354,616.68	-
09/30/2042	360,442.74	-
Total	**$8,558,611.06**	**$371,254.37**

(1) Net of interest income and AFUDC.

TABLE A.2D

BONNEVILLE POWER ADMINISTRATION

OCTOBER 1, 2004 - SEPTEMBER 30, 2007 COST EVALUATION PERIOD

Transmission 3-year Final RC w/ Corrected 3rd Party (ENW) and Revenue Finance 5-5-05

Table G: Summary of Payments (FY 2006)

Date	Principal Total Payment	Interest Total Payment
09/30/2005	155,001.00	153,008.16
09/30/2006	175,306.80	161,255.09
09/30/2007	164,990.71	172,709.96
09/30/2008	156,301.26	178,979.13
09/30/2009	149,371.30	181,124.85
09/30/2010	158,512.03	179,863.20
09/30/2011	159,852.26	178,586.55
09/30/2012	136,521.26	178,434.55
09/30/2013	71,606.68	179,762.43
09/30/2014	89,217.06	184,075.78
09/30/2015	92,014.98	188,514.83
09/30/2016	86,202.79	193,597.40
09/30/2017	66,959.63	200,660.62
09/30/2018	50,018.14	206,589.67
09/30/2019	150,653.18	213,471.62
09/30/2020	152,693.75	211,503.02
09/30/2021	151,254.78	213,014.88
09/30/2022	147,553.46	216,797.00
09/30/2023	146,662.42	217,760.76
09/30/2024	143,315.90	221,183.91
09/30/2025	136,890.19	227,681.15
09/30/2026	133,393.37	231,245.40
09/30/2027	130,544.42	234,154.68
09/30/2028	129,578.27	235,170.05
09/30/2029	117,449.73	247,340.71
09/30/2030	112,191.21	252,633.23
09/30/2031	109,670.82	255,171.49
09/30/2032	104,926.24	259,912.82
09/30/2033	68,192.97	267,545.53
09/30/2034	204.75	278,949.48
09/30/2035	78,715.45	292,584.55
09/30/2036	70,968.05	300,286.95
09/30/2037	62,019.97	309,182.03
09/30/2038	51,619.77	319,518.23
09/30/2039	40,611.16	330,467.84
09/30/2040	28,949.53	342,068.46
09/30/2041	16,354.32	354,616.68
09/30/2042	8,250.26	360,442.74
Total	**$4,004,539.87**	**$8,929,865.43**

TABLE A.2E

BONNEVILLE POWER ADMINISTRATION

OCTOBER 1, 2004 - SEPTEMBER 30, 2007 COST EVALUATION PERIOD

Transmission 3-year Final RC w/ Corrected 3rd Party (ENW) and Revenue Finance 5-5-05

Table H: Summary of Investments Placed in Service (1000s) (FY 2006)

	Transmission	
Date	Unamortized Investment	Term Schedule
09/30/2004	7,970,927.26	5,999,902.00
09/30/2005	7,892,830.26	5,903,674.00
09/30/2006	7,814,519.56	5,761,614.50
09/30/2007	7,860,919.27	5,394,077.50
09/30/2008	7,894,275.53	5,303,990.50
09/30/2009	7,916,645.83	5,348,402.50
09/30/2010	7,944,168.86	5,363,132.50
09/30/2011	7,969,142.12	5,359,771.50
09/30/2012	7,966,798.38	5,417,331.50
09/30/2013	7,895,372.06	5,433,454.50
09/30/2014	7,837,208.12	5,331,422.50
09/30/2015	7,777,516.10	5,267,742.50
09/30/2016	7,707,757.89	5,189,056.50
09/30/2017	7,614,638.52	4,961,786.50
09/30/2018	7,500,714.66	4,884,725.50
09/30/2019	7,483,545.84	4,895,095.50
09/30/2020	7,464,537.59	4,972,036.50
09/30/2021	7,440,341.37	5,079,581.00
09/30/2022	7,408,845.83	5,210,619.00
09/30/2023	7,372,991.25	5,393,136.00
09/30/2024	7,330,559.15	5,578,884.00
09/30/2025	7,278,799.34	5,652,601.00
09/30/2026	7,220,931.71	5,843,862.00
09/30/2027	7,157,880.13	6,037,458.00
09/30/2028	7,091,769.40	5,964,247.00
09/30/2029	7,011,752.13	6,145,992.00
09/30/2030	6,924,934.34	6,210,723.00
09/30/2031	6,834,367.16	6,110,961.00
09/30/2032	6,738,003.40	5,763,351.00
09/30/2033	6,604,063.37	5,295,522.00
09/30/2034	6,401,735.12	5,199,655.00
09/30/2035	6,277,651.57	5,402,454.00
09/30/2036	6,145,621.62	5,605,452.00
09/30/2037	6,004,676.59	5,808,417.00
09/30/2038	5,853,476.36	6,011,237.00
09/30/2039	5,691,453.52	6,213,871.00
09/30/2040	5,517,914.05	6,195,181.00
09/30/2041	5,348,279.89	6,148,722.00
09/30/2042	5,340,029.63	6,030,131.00
Total	**$277,507,594.78**	**$217,689,273.50**

TABLE A.3A

BONNEVILLE POWER ADMINISTRATION

OCTOBER 1, 2004 - SEPTEMBER 30, 2007 COST EVALUATION PERIOD

Transmission 3-year Final RC w/ Corrected 3rd Party (ENW) and Revenue Finance 5-5-05

Table B: Transmission Investments Placed in Service (1000s) (FY 2007)

	Investment Placed in Service					
Date	Initial Project	Replacements	Cumulative Amount in Service	Amortization	Discretionary Amortization	UnAmortized Investment
09/30/2004	2,505,826.00	203,306.00	2,709,132.00	-	-	2,709,132.00
09/30/2005	233,098.00	-	2,942,230.00	155,000.00	1.00	2,787,229.00
09/30/2006	253,617.50	-	3,195,847.50	140,677.00	34,629.80	2,865,539.70
09/30/2007	264,464.10	-	3,460,311.60	170,299.88	-	2,959,703.92
09/30/2008	-	125,044.00	3,585,355.60	148,032.00	9,815.81	2,926,900.11
09/30/2009	-	129,009.00	3,714,364.60	82,589.00	68,198.07	2,905,122.04
09/30/2010	-	132,886.00	3,847,250.60	116,259.00	43,530.43	2,878,218.61
09/30/2011	-	136,618.00	3,983,868.60	138,240.00	22,748.18	2,853,848.43
09/30/2012	-	140,354.00	4,124,222.60	21,457.00	116,061.31	2,856,684.12
09/30/2013	-	144,215.00	4,268,437.60	18,250.00	54,218.82	2,928,430.30
09/30/2014	-	148,247.00	4,416,684.60	78,248.00	11,703.30	2,986,726.00
09/30/2015	-	152,293.00	4,568,977.60	-	92,631.70	3,046,387.30
09/30/2016	-	156,334.00	4,725,311.60	-	85,947.25	3,116,774.05
09/30/2017	-	160,283.00	4,885,594.60	-	67,104.45	3,209,952.60
09/30/2018	-	163,952.00	5,049,546.60	-	50,135.09	3,323,769.51
09/30/2019	-	167,577.00	5,217,123.60	65,000.00	85,612.99	3,340,733.52
09/30/2020	-	171,207.00	5,388,330.60	141,919.00	10,880.43	3,359,141.09
09/30/2021	-	174,746.00	5,563,076.60	151,296.72	-	3,382,590.37
09/30/2022	-	178,206.00	5,741,282.60	104,836.10	42,750.62	3,413,209.65
09/30/2023	-	181,629.00	5,922,911.60	135,000.00	11,517.35	3,448,321.30
09/30/2024	-	184,857.00	6,107,768.60	108,010.00	35,023.02	3,490,145.28
09/30/2025	-	187,730.00	6,295,498.60	-	136,315.15	3,541,560.13
09/30/2026	-	190,241.00	6,485,739.60	-	132,824.83	3,598,976.30
09/30/2027	-	192,421.00	6,678,160.60	-	130,069.62	3,661,327.68
09/30/2028	-	194,290.00	6,872,450.60	129,242.62	-	3,726,375.06
09/30/2029	-	195,720.00	7,068,170.60	-	116,903.61	3,805,191.45
09/30/2030	-	196,874.00	7,265,044.60	-	112,956.44	3,889,109.01
09/30/2031	-	197,685.00	7,462,729.60	106,600.00	2,743.95	3,977,450.06
09/30/2032	-	198,269.00	7,660,998.60	92,514.15	12,091.56	4,071,113.35
09/30/2033	-	198,619.00	7,859,617.60	40,000.00	27,910.28	4,201,822.07
09/30/2034	-	198,538.00	8,058,155.60	-	1.76	4,400,358.31
09/30/2035	-	198,349.00	8,256,504.60	-	79,540.25	4,519,167.06
09/30/2036	-	198,095.00	8,454,599.60	-	71,490.35	4,645,771.71
09/30/2037	-	197,629.00	8,652,228.60	-	62,413.64	4,780,987.07
09/30/2038	-	197,066.00	8,849,294.60	-	52,256.47	4,925,796.60
09/30/2039	-	196,539.00	9,045,833.60	-	41,530.08	5,080,805.52
09/30/2040	-	196,066.00	9,241,899.60	30,189.06	4.09	5,246,678.37
09/30/2041	-	195,732.00	9,437,631.60	18,175.85	-	5,424,234.52
09/30/2042	-	195,558.00	9,633,189.60	-	5,672.93	5,614,119.59
Total	**$3,257,005.60**	**$6,376,184.00**	**-**	**$2,191,835.38**	**$1,827,234.63**	**-**

TABLE A.3B

BONNEVILLE POWER ADMINISTRATION

OCTOBER 1, 2004 - SEPTEMBER 30, 2007 COST EVALUATION PERIOD

Transmission 3-year Final RC w/ Corrected 3rd Party (ENW) and Revenue Finance 5-5-05

Table C: Principal Payments (FY 2007)

Date	Transmission Bonds	Transmission Appropriations
09/30/2005	153,500.00	1,501.00
09/30/2006	124,938.00	50,368.80
09/30/2007	152,700.00	17,599.88
09/30/2008	137,119.00	20,728.81
09/30/2009	72,700.00	78,087.07
09/30/2010	89,932.00	69,857.43
09/30/2011	115,000.00	45,988.18
09/30/2012	-	137,518.31
09/30/2013	-	72,468.82
09/30/2014	59,050.00	30,901.30
09/30/2015	-	92,631.70
09/30/2016	36,469.55	49,477.70
09/30/2017	67,104.45	-
09/30/2018	50,135.09	-
09/30/2019	150,612.99	-
09/30/2020	152,799.43	-
09/30/2021	151,296.72	-
09/30/2022	147,586.72	-
09/30/2023	146,517.35	-
09/30/2024	143,033.02	-
09/30/2025	136,315.15	-
09/30/2026	132,824.83	-
09/30/2027	130,069.62	-
09/30/2028	129,242.62	-
09/30/2029	116,903.61	-
09/30/2030	112,956.44	-
09/30/2031	109,343.95	-
09/30/2032	104,605.71	-
09/30/2033	67,910.28	-
09/30/2034	1.76	-
09/30/2035	79,540.25	-
09/30/2036	71,490.35	-
09/30/2037	62,413.64	-
09/30/2038	52,256.47	-
09/30/2039	41,530.08	-
09/30/2040	30,193.15	-
09/30/2041	18,175.85	-
09/30/2042	5,672.93	-
Total	**$3,351,941.01**	**$667,129.00**

(1) Net of interest income and AFUDC.

TABLE A.3C

BONNEVILLE POWER ADMINISTRATION

OCTOBER 1, 2004 - SEPTEMBER 30, 2007 COST EVALUATION PERIOD

Transmission 3-year Final RC w/ Corrected 3rd Party (ENW) and Revenue Finance 5-5-05

Table D: Interest Payments (FY 2007)

Date	Transmission Bonds	Transmission Appropriations
09/30/2005	104,857.92	48,150.24
09/30/2006	113,208.57	48,046.52
09/30/2007	133,044.32	44,449.46
09/30/2008	145,472.59	43,220.99
09/30/2009	149,231.76	41,739.32
09/30/2010	153,773.28	36,074.52
09/30/2011	157,673.59	31,040.04
09/30/2012	160,973.26	27,729.24
09/30/2013	172,410.03	17,755.26
09/30/2014	182,099.94	12,507.60
09/30/2015	188,894.03	10,271.08
09/30/2016	201,553.30	3,567.63
09/30/2017	211,784.80	-
09/30/2018	217,742.72	-
09/30/2019	224,781.81	-
09/30/2020	222,669.34	-
09/30/2021	224,245.94	-
09/30/2022	228,037.74	-
09/30/2023	229,180.83	-
09/30/2024	232,742.79	-
09/30/2025	239,533.19	-
09/30/2026	243,091.94	-
09/30/2027	245,906.48	-
09/30/2028	246,783.69	-
09/30/2029	259,164.83	-
09/30/2030	263,145.00	-
09/30/2031	266,775.36	-
09/30/2032	271,509.35	-
09/30/2033	279,102.22	-
09/30/2034	290,424.48	-
09/30/2035	303,029.75	-
09/30/2036	311,032.65	-
09/30/2037	320,053.36	-
09/30/2038	330,144.53	-
09/30/2039	340,807.92	-
09/30/2040	352,081.84	-
09/30/2041	364,040.04	-
09/30/2042	376,502.07	-
Total	**$8,957,507.26**	**$364,551.90**

(1) Net of interest income and AFUDC.

TABLE A.3D

BONNEVILLE POWER ADMINISTRATION

OCTOBER 1, 2004 - SEPTEMBER 30, 2007 COST EVALUATION PERIOD

Transmission 3-year Final RC w/ Corrected 3rd Party (ENW) and Revenue Finance 5-5-05

Table G: Summary of Payments (FY 2007)

Date	Principal Total Payment	Interest Total Payment
09/30/2005	155,001.00	153,008.16
09/30/2006	175,306.80	161,255.09
09/30/2007	170,299.88	177,493.78
09/30/2008	157,847.81	188,693.58
09/30/2009	150,787.07	190,971.08
09/30/2010	159,789.43	189,847.80
09/30/2011	160,988.18	188,713.63
09/30/2012	137,518.31	188,702.50
09/30/2013	72,468.82	190,165.29
09/30/2014	89,951.30	194,607.54
09/30/2015	92,631.70	199,165.11
09/30/2016	85,947.25	205,120.93
09/30/2017	67,104.45	211,784.80
09/30/2018	50,135.09	217,742.72
09/30/2019	150,612.99	224,781.81
09/30/2020	152,799.43	222,669.34
09/30/2021	151,296.72	224,245.94
09/30/2022	147,586.72	228,037.74
09/30/2023	146,517.35	229,180.83
09/30/2024	143,033.02	232,742.79
09/30/2025	136,315.15	239,533.19
09/30/2026	132,824.83	243,091.94
09/30/2027	130,069.62	245,906.48
09/30/2028	129,242.62	246,783.69
09/30/2029	116,903.61	259,164.83
09/30/2030	112,956.44	263,145.00
09/30/2031	109,343.95	266,775.36
09/30/2032	104,605.71	271,509.35
09/30/2033	67,910.28	279,102.22
09/30/2034	1.76	290,424.48
09/30/2035	79,540.25	303,029.75
09/30/2036	71,490.35	311,032.65
09/30/2037	62,413.64	320,053.36
09/30/2038	52,256.47	330,144.53
09/30/2039	41,530.08	340,807.92
09/30/2040	30,193.15	352,081.84
09/30/2041	18,175.85	364,040.04
09/30/2042	5,672.93	376,502.07
Total	**$4,019,070.01**	**$9,322,059.16**

TABLE A.3E
BONNEVILLE POWER ADMINISTRATION
OCTOBER 1, 2004 - SEPTEMBER 30, 2007 COST EVALUATION PERIOD
Transmission 3-year Final RC w/ Corrected 3rd Party (ENW) and Revenue Finance 5-5-05

Table H: Summary of Investments Placed in Service (1000s) (FY 2007)

	Transmission	
Date	Unamortized Investment	Term Schedule
09/30/2004	8,519,107.18	5,999,902.00
09/30/2005	8,441,010.18	5,903,674.00
09/30/2006	8,362,699.48	5,761,614.50
09/30/2007	8,268,535.26	5,539,950.60
09/30/2008	8,301,339.07	5,451,962.60
09/30/2009	8,323,117.14	5,498,382.60
09/30/2010	8,350,020.57	5,515,009.60
09/30/2011	8,374,390.75	5,513,387.60
09/30/2012	8,371,555.06	5,572,436.60
09/30/2013	8,299,808.88	5,589,741.60
09/30/2014	8,241,513.18	5,488,575.60
09/30/2015	8,181,851.88	5,425,481.60
09/30/2016	8,111,465.13	5,347,168.60
09/30/2017	8,018,286.58	5,120,102.60
09/30/2018	7,904,469.67	5,043,051.60
09/30/2019	7,887,505.66	5,053,176.60
09/30/2020	7,869,098.09	5,129,622.60
09/30/2021	7,845,648.81	5,236,462.10
09/30/2022	7,815,029.53	5,361,821.00
09/30/2023	7,779,917.88	5,543,450.00
09/30/2024	7,738,093.90	5,728,307.00
09/30/2025	7,686,679.05	5,801,104.00
09/30/2026	7,629,262.88	5,991,345.00
09/30/2027	7,566,911.50	6,183,766.00
09/30/2028	7,501,864.12	6,109,156.00
09/30/2029	7,423,047.73	6,289,154.00
09/30/2030	7,339,130.17	6,351,750.00
09/30/2031	7,250,789.12	6,249,435.00
09/30/2032	7,157,125.83	5,898,804.00
09/30/2033	7,026,417.11	5,427,461.00
09/30/2034	6,827,880.87	5,327,599.00
09/30/2035	6,709,072.12	5,525,948.00
09/30/2036	6,582,467.47	5,724,043.00
09/30/2037	6,447,252.11	5,921,672.00
09/30/2038	6,302,442.58	6,118,738.00
09/30/2039	6,147,433.66	6,315,277.00
09/30/2040	5,981,560.81	6,290,164.00
09/30/2041	5,804,004.66	6,236,948.00
09/30/2042	5,614,119.59	6,172,878.00
Total	**$294,001,925.26**	**$222,758,523.00**

Table A.4

Application of Amortization
Transmission
FY 2007 Repayment Study

BONNEVILLE POWER ADMINISTRATION

OCTOBER 1, 2004 - SEPTEMBER 30, 2007 COST EVALUATION PERIOD

Transmission 3-year Final RC w/ Corrected 3rd Party (ENW) and Revenue Finance 5-5-05

Application of Amortization (1000s) (FY 2007)

Date	Project	In Service	Due	Original Balance	Amount Available	Rate	Replacement?	Rollover?	Amount Amortized
FY 2005	BPA PROGRAM	2000	2005	53,500	53,500	7.150%	No	No	53,500
FY 2005	BONNEVILLE POWER ADMINISTRATION	1960	2005	3,598	1,500	6.910%	No	No	1,500
FY 2005	BPA PROGRAM	1997	2005	80,000	80,000	6.900%	No	No	80,000
FY 2005	BPA PROGRAM	2001	2005	20,000	20,000	5.650%	No	No	20,000
FY 2005	BONNEVILLE POWER ADMINISTRATION	1972	2017	2,873	1,298	7.290%	Yes	No	1
Subtotal		**-**	**-**	**$159,971**	**$156,298**	**-**	**Yes**	**No**	**$155,001**
FY 2006	BPA PROGRAM	1996	2006	70,000	70,000	7.050%	No	No	70,000
FY 2006	BONNEVILLE POWER ADMINISTRATION	1961	2006	4,468	4,468	6.950%	No	No	4,468
FY 2006	BONNEVILLE POWER ADMINISTRATION	1961	2006	11,271	11,271	6.950%	Yes	No	11,271
FY 2006	ENVIRONMENT	2002	2006	30,000	30,000	3.050%	No	No	30,000
FY 2006	BPA PROGRAM	2003	2006	4,938	4,938	3.000%	No	No	4,938
FY 2006	BPA PROGRAM	2003	2006	20,000	20,000	2.500%	No	No	20,000
FY 2006	BONNEVILLE POWER ADMINISTRATION	1962	2007	19,597	19,597	6.980%	No	No	1,997
FY 2006	BONNEVILLE POWER ADMINISTRATION	1962	2007	4,877	4,877	6.980%	Yes	No	4,877
FY 2006	BONNEVILLE POWER ADMINISTRATION	1972	2017	29,326	29,326	7.290%	No	No	1,309
FY 2006	BONNEVILLE POWER ADMINISTRATION	1972	2017	21,170	21,170	7.290%	Yes	No	21,170
FY 2006	BONNEVILLE POWER ADMINISTRATION	1972	2017	3,980	3,980	7.290%	No	No	3,980
FY 2006	BONNEVILLE POWER ADMINISTRATION	1972	2017	2,873	1,297	7.290%	Yes	No	1,297
Subtotal		**-**	**-**	**$222,500**	**$220,924**	**-**	**Yes**	**No**	**$175,307**
FY 2007	BONNEVILLE POWER ADMINISTRATION	1962	2007	19,597	17,600	6.980%	No	No	17,600
FY 2007	BPA PROGRAM	2004	2007	50,000	50,000	3.450%	No	No	50,000
FY 2007	BPA PROGRAM	2004	2007	30,000	30,000	3.100%	No	No	30,000
FY 2007	BPA PROGRAM	2003	2007	40,000	40,000	2.900%	No	No	40,000
FY 2007	BPA PROGRAM	2004	2007	32,700	32,700	2.500%	No	No	32,700
Subtotal		**-**	**-**	**$172,297**	**$170,300**	**-**	**No**	**No**	**$170,300**
FY 2008	BONNEVILLE POWER ADMINISTRATION	1963	2008	4,876	4,876	7.020%	No	No	4,876
FY 2008	BONNEVILLE POWER ADMINISTRATION	1963	2008	4,330	4,330	7.020%	Yes	No	4,330
FY 2008	BONNEVILLE POWER ADMINISTRATION	1963	2008	904	904	7.020%	No	No	904
FY 2008	BONNEVILLE POWER ADMINISTRATION	1963	2008	803	803	7.020%	Yes	No	803
FY 2008	BPA PROGRAM	1998	2008	75,300	75,300	6.000%	No	No	75,300
FY 2008	BPA PROGRAM	1998	2008	36,819	36,819	5.750%	No	No	36,819
FY 2008	BPA PROGRAM	2004	2008	25,000	25,000	3.800%	No	No	25,000
FY 2008	BONNEVILLE POWER ADMINISTRATION	1972	2017	29,326	28,017	7.290%	No	No	9,816
Subtotal		**-**	**-**	**$177,358**	**$176,049**	**-**	**Yes**	**No**	**$157,848**
FY 2009	BONNEVILLE POWER ADMINISTRATION	1964	2009	4,151	4,151	7.060%	No	No	4,151
FY 2009	BONNEVILLE POWER ADMINISTRATION	1964	2009	5,738	5,738	7.060%	Yes	No	5,738
FY 2009	BPA PROGRAM	1998	2009	72,700	72,700	6.000%	No	No	72,700
FY 2009	BONNEVILLE POWER ADMINISTRATION	1972	2017	29,326	18,202	7.290%	No	No	18,202
FY 2009	BONNEVILLE POWER ADMINISTRATION	1973	2018	33,788	33,788	7.280%	No	No	1,482
FY 2009	BONNEVILLE POWER ADMINISTRATION	1973	2018	21,656	21,656	7.280%	Yes	No	21,656
FY 2009	BONNEVILLE POWER ADMINISTRATION	1973	2018	16,368	16,368	7.280%	No	No	16,368
FY 2009	BONNEVILLE POWER ADMINISTRATION	1973	2018	10,491	10,491	7.280%	Yes	No	10,491
Subtotal		**-**	**-**	**$194,218**	**$183,094**	**-**	**Yes**	**No**	**$150,787**
FY 2010	BONNEVILLE POWER ADMINISTRATION	1965	2010	3,706	3,706	7.090%	No	No	3,706
FY 2010	BONNEVILLE POWER ADMINISTRATION	1965	2010	7,248	7,248	7.090%	Yes	No	7,248
FY 2010	BONNEVILLE POWER ADMINISTRATION	1965	2010	5,202	5,202	7.090%	No	No	5,202
FY 2010	BONNEVILLE POWER ADMINISTRATION	1965	2010	10,171	10,171	7.090%	Yes	No	10,171
FY 2010	ENVIRONMENT	2001	2010	30,000	30,000	6.050%	No	No	30,000
FY 2010	BPA PROGRAM	2001	2010	59,932	59,932	6.050%	No	No	59,932
FY 2010	BONNEVILLE POWER ADMINISTRATION	1970	2015	24,412	23,551	7.270%	No	No	11,224
FY 2010	BONNEVILLE POWER ADMINISTRATION	1973	2018	33,788	32,306	7.280%	No	No	32,306
Subtotal		**-**	**-**	**$174,459**	**$172,116**	**-**	**Yes**	**No**	**$159,789**

FY 2011	BONNEVILLE POWER ADMINISTRATION	1966	2011	11,830	11,830	7.130%	No	No	11,830
FY 2011	BONNEVILLE POWER ADMINISTRATION	1966	2011	3,049	3,049	7.130%	Yes	No	3,049
FY 2011	BONNEVILLE POWER ADMINISTRATION	1966	2011	6,647	6,647	7.130%	No	No	6,647
FY 2011	BONNEVILLE POWER ADMINISTRATION	1966	2011	1,714	1,714	7.130%	Yes	No	1,714
FY 2011	BPA PROGRAM	1998	2011	40,000	40,000	6.200%	No	No	40,000
FY 2011	BPA PROGRAM	2001	2011	25,000	25,000	5.950%	No	No	25,000
FY 2011	BPA PROGRAM	2001	2011	50,000	50,000	5.750%	No	No	50,000
FY 2011	BONNEVILLE POWER ADMINISTRATION	1970	2015	64,977	64,977	7.270%	No	No	2,426
FY 2011	BONNEVILLE POWER ADMINISTRATION	1970	2015	7,995	7,995	7.270%	Yes	No	7,995
FY 2011	BONNEVILLE POWER ADMINISTRATION	1970	2015	24,412	12,327	7.270%	No	No	12,327
Subtotal		**-**	**-**	**$235,624**	**$223,539**	**-**	**Yes**	**No**	**$160,988**
FY 2012	BONNEVILLE POWER ADMINISTRATION	1967	2012	19,003	19,003	7.160%	No	No	19,003
FY 2012	BONNEVILLE POWER ADMINISTRATION	1967	2012	4,566	2,454	7.160%	Yes	No	2,454
FY 2012	BONNEVILLE POWER ADMINISTRATION	1970	2015	64,977	62,551	7.270%	No	No	62,551
FY 2012	BONNEVILLE POWER ADMINISTRATION	1974	2019	20,984	20,984	7.270%	Yes	No	19,121
FY 2012	BONNEVILLE POWER ADMINISTRATION	1974	2019	12,563	12,563	7.270%	No	No	12,563
FY 2012	BONNEVILLE POWER ADMINISTRATION	1974	2019	21,826	21,826	7.270%	Yes	No	21,826
Subtotal		**-**	**-**	**$143,919**	**$139,381**	**-**	**Yes**	**No**	**$137,518**
FY 2013	BONNEVILLE POWER ADMINISTRATION	1968	2013	41,070	18,250	7.200%	No	No	18,250
FY 2013	BONNEVILLE POWER ADMINISTRATION	1974	2019	12,079	12,079	7.270%	No	No	12,079
FY 2013	BONNEVILLE POWER ADMINISTRATION	1974	2019	20,984	1,863	7.270%	Yes	No	1,863
FY 2013	BONNEVILLE POWER ADMINISTRATION	1975	2020	21,916	21,916	7.250%	Yes	No	11,377
FY 2013	BONNEVILLE POWER ADMINISTRATION	1975	2020	17,158	17,158	7.250%	No	No	17,158
FY 2013	BONNEVILLE POWER ADMINISTRATION	1975	2020	11,742	11,742	7.250%	Yes	No	11,742
Subtotal		**-**	**-**	**$124,949**	**$83,008**	**-**	**Yes**	**No**	**$72,469**
FY 2014	BONNEVILLE POWER ADMINISTRATION	1969	2014	42,237	19,198	7.230%	No	No	19,198
FY 2014	BPA PROGRAM	1999	2014	59,050	59,050	5.900%	No	No	59,050
FY 2014	BONNEVILLE POWER ADMINISTRATION	1975	2020	32,026	32,026	7.250%	No	No	1,165
FY 2014	BONNEVILLE POWER ADMINISTRATION	1975	2020	21,916	10,539	7.250%	Yes	No	10,539
Subtotal		**-**	**-**	**$155,229**	**$120,813**	**-**	**Yes**	**No**	**$89,951**
FY 2015	BONNEVILLE POWER ADMINISTRATION	1975	2020	32,026	30,861	7.250%	No	No	30,861
FY 2015	BONNEVILLE POWER ADMINISTRATION	1976	2021	61,025	61,025	7.230%	No	No	59,558
FY 2015	BONNEVILLE POWER ADMINISTRATION	1976	2021	2,212	2,212	7.230%	Yes	No	2,212
Subtotal		**-**	**-**	**$95,263**	**$94,098**	**-**	**Yes**	**No**	**$92,632**
FY 2016	BONNEVILLE POWER ADMINISTRATION	1976	2021	61,025	1,467	7.230%	No	No	1,467
FY 2016	BONNEVILLE POWER ADMINISTRATION	1977	2022	3,948	3,948	7.210%	No	No	3,948
FY 2016	BONNEVILLE POWER ADMINISTRATION	1977	2022	5,380	5,380	7.210%	Yes	No	5,380
FY 2016	BONNEVILLE POWER ADMINISTRATION	1977	2022	33,702	33,702	7.210%	No	No	33,702
FY 2016	BONNEVILLE POWER ADMINISTRATION	1977	2022	4,981	4,981	7.210%	Yes	No	4,981
FY 2016	BPA PROGRAM	2007	2042	259,628	259,628	6.900%	No	No	36,470
Subtotal		**-**	**-**	**$368,664**	**$309,106**	**-**	**Yes**	**No**	**$85,947**
FY 2017	BPA PROGRAM	2007	2042	259,628	223,158	6.900%	No	No	67,104
Subtotal		**-**	**-**	**$259,628**	**$223,158**	**-**	**No**	**No**	**$67,104**
FY 2018	BONNEVILLE POWER ADMINISTRATION	1973	2018	33,788	-0	7.280%	No	No	-0
FY 2018	BPA PROGRAM	2007	2042	259,628	156,054	6.900%	No	No	50,135
Subtotal		**-**	**-**	**$293,416**	**$156,054**	**-**	**No**	**No**	**$50,135**
FY 2019	BONNEVILLE POWER ADMINISTRATION	1974	2019	20,984	0	7.270%	Yes	No	0
FY 2019	BPA PROGRAM	2004	2019	65,000	65,000	6.640%	No	Yes	65,000
FY 2019	BPA PROGRAM	2007	2042	259,628	105,919	6.900%	No	No	85,613
Subtotal		**-**	**-**	**$345,612**	**$170,919**	**-**	**Yes**	**Yes**	**$150,613**
FY 2020	BONNEVILLE POWER ADMINISTRATION	1975	2020	21,916	-0	7.250%	Yes	No	-0
FY 2020	BPA PROGRAM	2000	2020	40,000	40,000	6.690%	No	Yes	40,000
FY 2020	BPA PROGRAM	2004	2020	65,000	65,000	6.680%	No	Yes	65,000
FY 2020	BPA PROGRAM	2003	2020	25,000	25,000	6.670%	No	Yes	25,000
FY 2020	ENVIRONMENT	2005	2020	11,919	11,919	5.800%	No	No	11,919
FY 2020	ENVIRONMENT	2006	2021	4,670	4,670	6.050%	No	No	4,627
FY 2020	BPA PROGRAM	2007	2042	259,628	20,306	6.900%	No	No	6,254
Subtotal		**-**	**-**	**$428,133**	**$166,894**	**-**	**Yes**	**Yes**	**$152,799**
FY 2021	BONNEVILLE POWER ADMINISTRATION	1976	2021	61,025	-0	7.230%	No	No	-0
FY 2021	BPA PROGRAM	2003	2021	40,000	40,000	6.730%	No	Yes	40,000
FY 2021	BPA PROGRAM	1997	2021	111,254	111,254	6.700%	No	Yes	111,254
FY 2021	ENVIRONMENT	2006	2021	4,670	43	6.050%	No	No	43
Subtotal		**-**	**-**	**$216,949**	**$151,297**	**-**	**No**	**Yes**	**$151,297**
FY 2022	BPA PROGRAM	2002	2022	100,000	100,000	6.760%	No	Yes	100,000
FY 2022	ENVIRONMENT	2007	2022	4,836	4,836	6.190%	No	No	4,836
FY 2022	BPA PROGRAM	2007	2042	259,628	14,052	6.900%	No	No	14,052
FY 2022	BPA PROGRAM	2008	2043	125,044	125,044	6.900%	Yes	No	28,698
Subtotal		**-**	**-**	**$489,508**	**$243,932**	**-**	**Yes**	**Yes**	**$147,587**

FY 2023	BPA PROGRAM	2003	2023	75,000	75,000	6.800%	No	Yes	75,000
FY 2023	BPA PROGRAM	2002	2023	60,000	60,000	6.790%	No	Yes	60,000
FY 2023	BPA PROGRAM	2008	2043	125,044	96,346	6.900%	Yes	No	11,517
Subtotal		-	-	$260,044	$231,346	-	Yes	Yes	$146,517
FY 2024	BPA PROGRAM	2002	2024	108,010	108,010	6.830%	No	Yes	108,010
FY 2024	BPA PROGRAM	2008	2043	125,044	84,828	6.900%	Yes	No	35,023
Subtotal		-	-	$233,054	$192,838	-	Yes	Yes	$143,033
FY 2025	BPA PROGRAM	2008	2043	125,044	49,805	6.900%	Yes	No	49,805
FY 2025	BPA PROGRAM	2009	2044	129,009	129,009	6.900%	Yes	No	86,510
Subtotal		-	-	$254,053	$178,814	-	Yes	No	$136,315
FY 2026	BPA PROGRAM	2009	2044	129,009	42,499	6.900%	Yes	No	42,499
FY 2026	BPA PROGRAM	2010	2045	132,886	132,886	6.900%	Yes	No	90,326
Subtotal		-	-	$261,895	$175,385	-	Yes	No	$132,825
FY 2027	BPA PROGRAM	1998	2028	50,000	50,000	6.650%	No	No	33,057
FY 2027	BPA PROGRAM	2010	2045	132,886	42,560	6.900%	Yes	No	42,560
FY 2027	BPA PROGRAM	2011	2046	136,618	136,618	6.900%	Yes	No	54,452
Subtotal		-	-	$319,504	$229,178	-	Yes	No	$130,070
FY 2028	BPA PROGRAM	1998	2028	50,000	16,943	6.650%	No	No	16,943
FY 2028	BPA PROGRAM	1998	2028	112,300	112,300	5.850%	No	No	112,300
Subtotal		-	-	$162,300	$129,243	-	No	No	$129,243
FY 2029	BPA PROGRAM	2006	2041	248,948	248,948	6.820%	No	No	5,209
FY 2029	BPA PROGRAM	2011	2046	136,618	82,166	6.900%	Yes	No	82,166
FY 2029	BPA PROGRAM	2012	2047	140,354	140,354	6.900%	Yes	No	29,528
Subtotal		-	-	$525,920	$471,468	-	Yes	No	$116,904
FY 2030	BPA PROGRAM	1998	2032	98,900	98,900	6.700%	No	No	3,643
FY 2030	BPA PROGRAM	2006	2041	248,948	243,739	6.820%	No	No	109,314
Subtotal		-	-	$347,848	$342,639	-	No	No	$112,956
FY 2031	BPA PROGRAM	1998	2031	106,600	106,600	8.290%	No	Yes	106,600
FY 2031	BPA PROGRAM	1998	2032	98,900	95,257	6.700%	No	No	2,743
FY 2031	BPA PROGRAM	2006	2041	248,948	134,425	6.820%	No	No	1
Subtotal		-	-	$454,448	$336,282	-	No	Yes	$109,344
FY 2032	BPA PROGRAM	1998	2032	98,900	92,514	6.700%	No	No	92,514
FY 2032	BPA PROGRAM	2004	2034	40,000	40,000	5.600%	No	No	12,092
Subtotal		-	-	$138,900	$132,514	-	No	No	$104,606
FY 2033	BPA PROGRAM	2003	2033	40,000	40,000	5.550%	No	No	40,000
FY 2033	BPA PROGRAM	2004	2034	40,000	27,908	5.600%	No	No	27,908
FY 2033	BPA PROGRAM	2006	2041	248,948	134,424	6.820%	No	No	2
Subtotal		-	-	$328,948	$202,333	-	No	No	$67,910
FY 2034	BPA PROGRAM	2006	2041	248,948	134,423	6.820%	No	No	2
Subtotal		-	-	$248,948	$134,423	-	No	No	$2
FY 2035	BPA PROGRAM	2006	2041	248,948	134,421	6.820%	No	No	79,540
Subtotal		-	-	$248,948	$134,421	-	No	No	$79,540
FY 2036	BPA PROGRAM	2005	2040	221,179	221,179	5.630%	No	No	34,790
FY 2036	BPA PROGRAM	2006	2041	248,948	54,881	6.820%	No	No	36,701
Subtotal		-	-	$470,127	$276,060	-	No	No	$71,490
FY 2037	BPA PROGRAM	2005	2040	221,179	186,389	5.630%	No	No	62,414
Subtotal		-	-	$221,179	$186,389	-	No	No	$62,414
FY 2038	BPA PROGRAM	2005	2040	221,179	123,976	5.630%	No	No	52,256
Subtotal		-	-	$221,179	$123,976	-	No	No	$52,256
FY 2039	BPA PROGRAM	2005	2040	221,179	71,719	5.630%	No	No	41,530
Subtotal		-	-	$221,179	$71,719	-	No	No	$41,530
FY 2040	BPA PROGRAM	2005	2040	221,179	30,189	5.630%	No	No	30,189
FY 2040	BPA PROGRAM	2006	2041	248,948	18,180	6.820%	No	No	4
Subtotal		-	-	$470,127	$48,369	-	No	No	$30,193
FY 2041	BPA PROGRAM	2006	2041	248,948	18,176	6.820%	No	No	18,176
Subtotal		-	-	$248,948	$18,176	-	No	No	$18,176
FY 2042	BPA PROGRAM	2007	2042	259,628	-0	6.900%	No	No	-0
FY 2042	BPA PROGRAM	2012	2047	140,354	110,826	6.900%	Yes	No	5,673
Subtotal		-	-	$399,982	$110,826	-	Yes	No	$5,673
Grand Total		-	-	$10,295,227	$6,887,378	-	Yes	Yes	$4,019,070

APPENDIX B

Programs In Review Close-out Letter

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

January 21, 2005

In reply refer to: TMF/MODD

Dear Programs in Review Participant:

This letter summarizes Bonneville Power Administration's (BPA) discussions with you, our customers, constituents, the tribes and other regional interests during the Transmission Business Line's (TBL) Programs in Review (PIR) public involvement process regarding proposed programs and program level expenditures for Fiscal Years (FY) 2006 and 2007, and includes my decisions regarding those program levels.

Seven regional workshops were held to discuss TBL's proposed capital and expense program levels for FY 2006 and FY 2007. In addition, three technical workshops were held at your request. During this time, TBL staff provided additional detail and clarifying information in response to your questions and requests. All correspondence, as well as presentation material, detailed meeting notes and questions and answers, are shared publicly on the TBL PIR website at
http://www.transmission.bpa.gov/Business/Customer_Forums_and_Feedback/Programs_in_Review/pir2004.cfm.

During the PIR public process, TBL continued to evaluate both its capital and expense program levels and along with your comments, has made changes. Our goal remains to be as efficient and cost effective as possible, while still maintaining the program levels required to operate a reliable transmission system and to meet the challenges of a competitive marketplace. TBL initial PIR program levels were reduced to its current program levels for FY 2006 of $337 million for expense programs and $353 million for capital and for FY 2007 of $347 million for expense programs and $331 million for capital; these levels are necessary and appropriate. Program details are stated in the attached appendices one through seven.

FY 2004 and FY 2005 Accomplishments and Challenges Leading into this PIR

Over the last two years, TBL has undertaken one of the most extensive additions to a high-voltage grid that the nation has seen in over 20 years. With the recent completion of the 86-mile Grand Coulee-Bell 500 kilovolt line, TBL has continued to deliver reliability-driven additions to the system. The December 2003 energization of the Kangley-Echo Lake addition helps sustain reliable service in one of the densest commercial and residential centers in the Northwest. The capital improvements to our Celilo converter station help to ensure that we can operate the DC Intertie at its full capacity for decades. The November 2004 completion of the Raymond-Cosmopolis line demonstrates a commitment to local load service as well as main grid reinforcement.

Responding to your wish to work with us on emerging and complex transmission issues, BPA has helped create some innovative forums. One such forum is the Non-Wires Round Table, which has garnered national and regional recognition for its work in implementing cost-effective demand response and distributed generation solutions. Another public forum involved an extensive process to determine the available transfer capability (ATC) of our high-voltage system. Through this process, TBL delivered a methodology that allowed the region to better understand and utilize the congested transmission grid and its limited capacity.

BPA's TBL was able to achieve these accomplishments and many more in the midst of numerous market challenges, such as decreased sales, limited borrowing authority and significant cost cuts. In addition, the recently completed infrastructure and other capital projects have increased costs for FY 2006-2007, driven primarily by interest and depreciation. Nevertheless, consistent with our statements in the PIR public process, the TBL is assuming future efficiencies will allow it to absorb approximately one half the rate of inflation for the rate period FY 2006 to FY 2007. These efficiencies are expected from the Enterprise Process Improvement Project and Asset Management initiatives.

Agency Vision and Principles for Determining Program Levels for FY 2006 and FY 2007

My decisions in this letter are consistent with the "four pillars" of the agency's vision described in the PIR process. The four pillars are:

- High system reliability
- Low rates consistent with sound business principles
- Responsible environmental stewardship
- Accountability to the region

The agency vision applied to BPA's transmission business means that TBL will:

- Maintain a safe and reliable transmission system at the lowest possible cost.
- Provide effective management and full recovery of BPA costs and seek increased efficiencies through efforts such as asset management and the Information Technology consolidation to maintain the agency as a high-performing organization.
- Meet our responsibility of environmental stewardship.
- Maintain and enhance regional relations through the appropriate levels of public involvement and increased dialogue with customers, constituents and tribes.

I believe that the program levels described in this letter are consistent with the agency vision as applied to TBL.

Finalizing TBL Programs

In response to public comments and concerns, the capital program has been reduced over $122 million from the initial proposal for FY 2006-2007 over the two years. TBL has implemented a total of over $81 million in reductions to its expense programs in FY 2003 through FY 2004, and we will remain vigilant in identifying new opportunities for cost and resource efficiencies and reductions as we move forward.

Managing a large high-voltage transmission system in today's market environment to meet the diverse regional needs of TBL's customers and constituents is a complex and multi-faceted challenge. BPA has learned a considerable amount through engaging our regional partners (i.e., the Non-Wires Round Table) as well as a number of internal reviews and external audits (such as those conducted by the Inspector General, the General Accounting Office and KEMA). We are actively implementing many of the resulting recommendations such as our recent IT consolidation. Asset Management will be an effective tool in better prioritizing how to deploy limited resources to most effectively meet our objectives. BPA has engaged the region in developing a transmission adequacy standard to better understand the cost and reliability tradeoffs for the region's transmission infrastructure. We will continue to determine how the agency can work with the region in response to an evolving transmission marketplace, a more congested transmission system, and heightened national awareness of the importance of reliability.

The processes accompanying PIR have been long and at times arduous, but I believe, fruitful in achieving a new level of transparency between the agency and its customers and constituents. The public process resulted in many suggestions that we weighed in determining our current program levels. I would like to express my sincere appreciation for the participation and thoughtful comments of our customers, constituents, the tribes and other regional interests. BPA remains committed to an open and collaborative public processes where ideas can flow freely. Thank you again for your participation in the PIR process.

Sincerely,

Stephen J. Wright,
Administrator and Chief Executive Officer

7 Enclosures
Appendix 1: PIR Issues, Details and Explanation
Appendix 2: Expense Program: Comparison of Initial and Current PIR Average FY06-07
Appendix 3: Expense Program Levels FY06-07
Appendix 4: Expense Program: Comparison of FY04-05 to FY04 Rate Case Program Levels
Appendix 5: Capital Program: Comparison of Initial and Current PIR Average FY06-07
Appendix 6: Capital Program Levels FY06-07
Appendix 7: Capital Program: Comparison of FY04-05 to FY04 Rate Case Program Levels

Key Issues

In the course of the PIR public process, TBL received several comments focused on specific program levels. These comments are summarized and addressed in more depth below:

- Staffing – There is concern with the level of BPA's full time equivalent (FTE) and contractor levels, particularly with the downturn in workload associated with the reductions to the capital program. It was asked that BPA clarify reasons for its current staffing levels and what efforts it is taking to manage them.
- Operating expenses – The cost cuts by TBL in FY 2003 and FY 2004 were reviewed with customers; however, TBL was asked to hold any increases in expense levels to the rate of inflation for FY 2006 and FY 2007.
- Capital – While PIR provided an opportunity to review capital projects and programs proposed for FY 2006 and FY 2007, there were questions on what other opportunities existed to provide comments and review capital projects. There was also concern with the proposed level of capital spending given the uncertainties surrounding Treasury borrowing authority, debt optimization and the potential use of third-party financing.
- Corporate costs – It was noted that while the business lines were responding effectively to market conditions and controlling costs, the same did not appear to be happening at the corporate level. Corporate was asked to show better containment of costs, reduced overhead and lower Corporate FTE.

A number of other issues were raised during the PIR public process that are outside the scope of PIR and while they will not be addressed in this letter, they will be addressed in the upcoming rate case or where appropriate. Such issues included:

- TBL revenues – TBL has seen a tremendous loss of revenue over the last two years and is forecasting further revenue declines through FY 2007. BPA was asked to increase its revenue forecast for the FY 2006-2007 rate period based on the belief that BPA is being too conservative in its outlook and is establishing too much of a cushion for the agency.
- Use of reserves – BPA should consider using TBL reserves to offset any potential program level increases that cause upward pressure on rates.
- Revenue financing – BPA should use Treasury or third-party borrowing instead of revenue financing.
- Debt optimization – According to some, BPA should assume use of debt optimization to reduce costs or to provide cash for the capital program instead of using revenue financing and that BPA should also further explain the debt optimization program. A technical workshop was requested[1] to outline the debt optimization program and long-term debt management.

What follows is a detailed discussion of issues regarding specific program levels as raised in the PIR public process:

[1] A technical workshop for debt optimization was held in Portland, OR on August 5, 2004. Information from the workshop is available on the TBL web site at *http://www.transmission.bpa.gov/Business/Customer_Forums_and_Feedback/Programs_in_Review/pir2004_info.cfm?page=workshop&asect=1* .

Staffing

Some public comments recommended that TBL further reduce its FTE level of staffing. In particular, they asked how FTE savings resulting from asset management were forecast since the presumed savings appeared to be lower than customers expected. Also, questions centered on establishing a corporate FTE reduction target on a par with the business lines.

In response, when compared to its FY 2004 staffing plan, TBL is planning a 200 FTE reduction, or about 10 percent of its work force, by the end of FY 2007. As the reductions occur, TBL management will seek to reduce or re-distribute the workload among the remaining staff while trying to maintain a healthy work environment. An important element in our strategy for reducing FTE, consistent with asset management principles, is to make increased use of contractor support which can be shaped to meet workload demands and quickly reduced when no longer needed. TBL believes this significant reduction in FTE is possible through increased efficiencies and prioritizing our work, but that any further FTE reduction, particularly in the areas of maintenance, planning and operations, could adversely affect system reliability.

There is an ongoing BPA-wide effort to improve the efficiency and cost-effectiveness of all Corporate general and administrative activities. BPA is working to offer early retirement and separation incentives later this year to help reduce its FTE and capture additional cost savings. Based on the KEMA recommendations developed in collaboration with customers, BPA is initiating specific efficiency efforts. These efforts are now called the Enterprise Process Improvement Project (EPIP). I have reviewed Corporate's FTE forecasts and find them to be appropriate. We will revisit these forecasts when we have more concrete results from the efficiency efforts under EPIP.

Expense Program Levels

In the technical workshop and in public comments, there were requests that TBL hold all program increases equal to inflation, calling specific attention to regulatory and regional association fees, employee awards and information technology.[2]

Revenue shortfalls from FY 2003 until present, and significant cost-cutting in response to these shortfalls, presented a difficult challenge for TBL. For example, the prior rate case assumed FY 2004 operating revenues of $724.0 million and total expenses of $711.9 million for a net revenue of $12.1 million.[3] In fact, revenues slipped to $644.1 million, a decline of nearly $80 million, and TBL reacted swiftly by cutting its program expenses more than $37 million. This cost cutting, along with debt service interest savings, reduced the net revenue loss to $12.2 million, tempering what could have been a larger loss. These actions in FY 2004 followed additional cost cuts in FY 2003 of more than $44 million. This same reduced revenue trend and TBL's responsive cost cutting are continuing in FY 2005. Specific cost cuts included reducing TBL overtime levels and premium pay by 28 percent, administrative travel by 13 percent, non-electric plant maintenance by 3 percent and employee awards by 94 percent. These efforts will continue through FY 2005.

The primary drivers of expense levels are TBL's operations and maintenance costs. TBL believes that it has reduced these costs to the lowest level possible consistent with maintaining system reliability and being responsive to the recommendations that came out of the August 2003 Northeast blackout. Despite previous cost cuts BPA has an exemplary maintenance program that cannot be cut further while still maintaining needed reliability.

[2] Further information on information technology is under the "Corporate Program Levels" section in this appendix.
[3] Please reference Appendix 4 for additional details.

Regulatory and Association Fees

In response to customer requests during the PIR process and, in an effort to further cut costs, TBL agreed to reduce payment of regulatory and association fees from the levels submitted in our initial PIR proposal. This payment reduction will be in addition to the calculation error that was disclosed at the August 25, 2004 technical workshop. TBL will reduce annual payment of regulatory and association fees by $1.2 million for each year in FY 2006 and FY 2007.[4]

Employee Awards

BPA's employee compensation package consists of three parts:

- Base pay;
- Organizational Team Share and Agency Success Share – Group cash awards to encourage accomplishment of important organizational goals; and
- Individual awards - Cash awards to foster individual accountability for producing results that further BPA's mission.

Collectively all three parts reflect BPA's goal to offer a competitive compensation package that ensures the agency is able to attract and retain employees who possess the talent and expertise needed to carry out its mission as well as provide our customers and the region with the necessary level of service and leadership they expect.

In January 2003, BPA cut this compensation package to reduce expenses. As part of an agency-wide cost-cutting effort, BPA decided to suspend the use of both Organizational Team Share and Agency Success Share group cash awards as employee incentives. The suspension will remain in effect through FY 2005. In FY 2006 and FY 2007 these awards will be reintroduced at modest levels that are well below those used in FY 2002 and before, but at a high enough level to establish an employee incentive. Similarly, funds for individual cash awards and other related recognition program costs were greatly reduced for FY 2003. These awards were funded in FY 2003 at a nominal rate. In FY 2004, this funding was increased slightly and this funding level will continue through FY 2005. As with Organizational Team Share and Agency Success Share, we plan to increase the amount dedicated for individual and group recognition in FY 2006 and FY 2007, but the amount will still be below the levels dedicated to this program in FY 2002.

Capital Program Levels

Customers asked TBL to lower fixed capital costs of the major infrastructure additions by looking at a 10 percent reduction in other areas of its capital program. Customers also asked for further clarification of the opportunities to review and provide feedback on TBL's proposed capital program levels. The region is also seeking higher adequacy performance such as for the Puget Sound area and Northern Intertie, which would put upward pressure on the capital program. TBL's planned capital investments for FY 2006 and FY 2007 represent a balance of all these considerations.

TBL's capital program consists of Treasury-financed projects and non-Treasury financed projects. TBL's planned Treasury-financed capital program level is projected to be $251.4 million for FY 2006 and $262.0 million for FY 2007. The non-Treasury financed capital program level consists primarily of costs associated

[4] Further information on regulatory and association fees is in appendices 2 and 3.

with generation interconnection. Additions and improvements for the purpose of generation integration will go forward only with funds provided by generators in advance in return for future transmission credits. This approach assures the region that BPA will not run the risk of having stranded investment if the generators decide to delay or cancel their projects. If customer financing goes forward, the total capital for FY 2006 is projected to be $352.6 million and for FY 2007 it is $331.4 million.

In consideration of your input and our continued reduced revenues, TBL is deferring over $122 million in capital costs for FY 2006-2007 over the two years. This deferral is reflected in the program levels stated above. Previously authorized capital investment programs such as the Coulee-Bell and the Schultz-Wautoma projects have been recently completed or are already underway, and will be put into service as scheduled. Such projects create an upward pressure on FY 2006 and FY 2007 interest and depreciation costs. BPA expects, but cannot guarantee, that these increases may be partially offset by lower interest rates due to debt optimization efforts. Owing to the construction needs of transmission infrastructure, we will continue to have significant required investments, but we are committed to keep costs down by working with the region to develop transmission adequacy standards and look at alternatives to building lines, such as implementing non-wires solutions.

Additionally, BPA continues its efforts to conserve the limited borrowing authority it has with the U.S. Treasury yet still meet its statutory and regulatory obligations that require capital funding. In light of the current situation where BPA's borrowing limit may soon be reached, the agency must be judicious in the use of its capital resources. Therefore, we continue to focus our efforts on strictly reliability-based projects, whether it is adopting new reliability and regulatory guidelines (North American Electric Reliability Council, Federal Energy Regulatory Commission, Western Electricity Coordinating Council), new infrastructure (Olympic Peninsula, Lower Valley, Western Montana), upgrades to existing infrastructure (I-5 Corridor) or replacement of aging infrastructure (wood pole replacement program). We will also continue to seek creative ways of funding necessary capital improvements such as third-party financing.

Due to the substantial costs associated with the recently completed and current capital projects, BPA has already deferred other capital programs. We are now at the point where further deferral of these projects would likely jeopardize system reliability and safety, and would increase operating expenses due to higher maintenance costs. Wood poles and other replacements were significantly curtailed the last three years. TBL has taken a hard look to examine system needs to determine the minimum level of investment needed through FY 2010. TBL budgeted only for those projects critical to meet reliability and safety objectives. More recently, replacements and some new starts were deferred to remain within borrowing targets. While customers have asked BPA to reduce the capital program, no specific recommendations for project-by-project reductions were suggested.

PIR invited interested parties to review capital program levels for FY 2006 and FY 2007 with TBL executives at seven regional workshops. In addition, the TBL held a technical session on August 25, 2004[5] to provide further review and detailed information on capital programs and projects. PIR generally occurs every other year in concert with a transmission rate case. This allows for timely and efficient capital workload planning and management.

TBL brings all transmission projects greater than $10 million to a detailed technical and economic review before the Infrastructure Technical Review Committee (ITRC), now conducted under the auspices of the Northwest Power Pool Transmission Assessment Committee. TBL has been engaged in this process since

[5] All information shared at the capital workshop is posted to the TBL web site at http://www.transmission.bpa.gov/Business/Customer_Forums_and_Feedback/Programs_in_Review/pir2004_info.cfm?page=workshop&asect=1.

2001. A recent ITRC meeting, held on October 26, 2004, covered two proposed projects, the Olympic Peninsula and Lower Valley reinforcements. Evaluation includes need, alternatives, business case and risks. In addition, TBL marketing and sales staff review capital spending status during quarterly financial updates with Public Power Council, investor owned utilities, and direct service industries. These briefings commenced in March 2004 and may occur more frequently at the request of customers. Finally, BPA is embarking on a regional dialogue to create a definition of transmission adequacy that will allow stakeholders to examine policy choices and economic tradeoffs. This dialogue is expected to have a direct impact on decisions regarding BPA's future capital program.

Another suggestion provided through the public process was that we fully understand and share the business justification for proceeding with any type of office building modification or addition. We agree with your comments and should we propose to proceed with any type of office building modification or addition, we will share information with the public in such a way that enables a timely discussion before developing a final decision on whether or not to proceed with this capital addition.

Corporate Program Levels

Comments shared during the course of the PIR public process expressed a desire to better understand the increasing Corporate estimates and a lack of clarity on the composition of Corporate costs that consist of the general and administrative and shared services programs. In an effort to provide further transparency for determining these program levels and how the costs are allocated, TBL held a technical workshop August 25, 2004,[6] in coordination with BPA's senior vice president of Employee and Business Resources. The workshop delivered a breakdown of the budget for each Corporate activity within programs, including the cost allocation methodologies.

BPA is making a concerted effort to protect value, improve business efficiencies, and reduce costs in our centralized corporate activities. However, overall program levels are increasing at a rate slightly higher than inflation due to several initiatives that will build more efficient and cost-effective programs moving forward. These include increased security, a centralized risk function led by a Chief Risk Officer and a major effort focused on implementing the Enterprise Process Improvement Project.

Additionally, the corporate organizations are planning to reduce staffing levels. BPA is working to offer early retirement and separation incentives later this fiscal year to bring FTE reductions and capture some short-term cost savings. Corporate's overall process improvement effort will provide direction for these reductions.

As a recent example of an agency efficiency effort, BPA has moved ahead with a consolidation of the information technology function.

<u>Information Technology Consolidation</u>

BPA consolidated its Information Technology (IT) organizations (except for grid operations) to increase efficiency in providing common IT services across the agency. IT costs presented in PIR discussions for FY 2006 and FY 2007 reflect costs prior to the IT consolidation.

The new IT organization has been given a target of reducing costs by 10 percent. Part of the 10 percent cut in the initial baseline will come from a $6 million undistributed reduction that was

[6] All information shared at the corporate workshop is posted to the TBL web site at http://www.transmission.bpa.gov/Business/Customer_Forums_and_Feedback/Programs_in_Review/pir2004_info.cfm?page=workshop&asect=1.

prepared for the FY 2006 planning budget. Part of these budget cuts will also be achieved through a targeted 10 percent reduction in BPA IT employees. These targeted cost savings were included in the initial PIR program numbers.

Summary of Corporate Program Level Increases:

The Corporate program level consists of three separate line items: Legal, Shared Services and General and Administrative. The Corporate program level has increased between the initial and current PIR proposals for FY 2006 and FY 2007. Most of this increase is due to a calculation error made in the initial PIR proposal, which resulted in an understatement of Corporate program levels. This error was addressed and explained in the August technical workshop on general and administrative and shared services costs[7] and is equal to $4.4 million, 75% of the total difference between initial and current PIR proposals. . Removing this error from the initial PIR proposal, and with the decrease in Shared Services costs, the total average annual increase for the total Corporate program level (which includes Shared Services, Legal and General and Administration) is $1.5 million over the two year period FY 2006-2007. However, because of this error the difference in the Corporate program level between the initial and current PIR proposals is $5.9 million. [8]

For the TBL's initial PIR proposal, Corporate used numbers from the Power Business Line's August 2003 Safety Net Cost Recovery Adjustment Clause process. These numbers were updated in September 2004 and reflected programmatic increases which are included in the TBL's current PIR proposal. These programmatic changes are addressed more specifically below:

- **Shared Services Cost**: There was a decrease in shared services costs of $700,000.
- **Legal:** An average increase of $165,000 per year is due to additional support to the TBL to cover projected increases in transmission-related activities.
- **General and Administrative**: The majority of the increases in corporate overhead distributions are due to new efforts or initiatives in three areas: security, risk management, and Grid West. Enhanced security requirements, including additional security at transmission facilities, add to annual security costs by an average of $272,000 for FY 2006-2007. BPA has continued to develop its risk management function and that has increased costs about $68,000 per year. Between the initial PIR proposal and current PIR proposal, the schedule for implementation of Grid West changed. This change extends BPA-provided funding for Grid West development costs into FY 2007 adding an average of $800,000 per year. In addition, there are several incremental increases, such as higher cost of living and award funds, that amount to approximately $860,000 per year.

[7] Further details from this workshop are available on the TBL web site at *http://www.transmission.bpa.gov/Business/Customer_Forums_and_Feedback/Programs_in_Review/pir2004_info.cfm?page=workshop&asect=1*.

[8] Please refer to Appendix 2 under "Corporate Expenses."

Expense Program: Comparison of Initial and Current PIR Average FY06-07 Program Levels
($ in Thousands)

Program & Other Operating Costs	Averages Across FY2006-07		
	Initial Proposal	Final Proposal	Delta
Transmission Acquisition			
Leased Facilities *Note <1*	6,145	12,614	**6,469**
Settlements	912	912	**0**
Stability Reserve Payments	310	310	**0**
Sub-Total Transmission Acquisition	**7,366**	**13,835**	**6,469**
Transmission System Operations			
Information Technology	10,180	10,180	**0**
Power System Dispatching *Note <3, <5*	10,184	9,800	**(384)**
Control Center Support	7,770	7,770	**0**
Technical Operations	3,620	3,620	**0**
Substation Operations	18,193	18,193	**0**
Sub-Total Transmission System Operations	**49,947**	**49,563**	**(384)**
Transmission Scheduling			
Management Supervision & Administration	356	356	**0**
Reservations	300	300	**0**
Pre-Scheduling	740	740	**0**
Real-Time Scheduling *Note <3*	3,206	3,356	**150**
Scheduling Technical Support	6,240	6,240	**(0)**
Scheduling After-The-Fact	653	653	**0**
Sub-Total Transmission Scheduling	**11,495**	**11,645**	**150**
Transmission Marketing			
Transmission Sales	2,243	2,243	**0**
Marketing Internal Operations	1,060	1,060	**0**
Transmission Finance *Note <4*	761	760	**(1)**
Contract Management	2,007	2,007	**0**
Transmission Billing *Note <4*	2,006	2,056	**50**
Business Strategy & Assessment	2,192	2,192	**0**
Marketing Information Technology Support	2,585	2,585	**0**
Meter Data	1,947	1,947	**0**
Sub-Total Transmission Marketing	**14,801**	**14,851**	**49**
Transmission Business Support			
Executive and Administrative Services	10,831	10,831	**0**
Staff Management	416	416	**0**
Internal General & Administrative	3,098	3,098	**0**
Aircraft Services	743	743	**0**
Logistics Services	3,700	3,700	**0**
Security Enhancements	1,007	1,007	**0**
Sub-Total Transmission Business Support	**19,794**	**19,794**	**0**
Transmission System Development (TSD)			
Research & Development	3,330	3,330	**0**
TSD Planning & Analysis	1,523	1,523	**0**
Capital to Expense Transfer	4,000	4,000	**0**
Regulatory & Region Association Fees *Note <2, <5*	2,627	700	**(1,927)**
Sub-Total Transmission System Development (TSD)	**11,479**	**9,552**	**(1,927)**
Transmission System Maintenance			
Non-Electric Maintenance	8,794	8,794	**(0)**
Substation Maintenance	15,200	15,200	**0**

Program & Other Operating Costs	Averages Across FY2006-07		
	Initial Proposal	**Final Proposal**	**Delta**
Transmission Line Maintenance	16,715	16,715	**0**
System Protection Control Maintenance	8,290	8,290	**0**
Power System Control Maintenance	8,325	8,325	**0**
System Maintenance Management	6,280	6,280	**0**
Right Of Way Maintenance Note <5	13,515	12,515	**(1,000)**
Heavy Mobile Equipment Maintenance (HMEM) Note <5	1,279	1,278	**(1)**
Technical Training	2,969	2,969	**0**
Sub-Total Transmission System Maintenance	**81,368**	**80,366**	**(1,001)**
Transmission Environmental Operations			
Environmental Policy & Planning *Note <6*	1,259	1,298	**38**
Pollution Prevention & Abatement (PP&A) *Note <5, <6*	3,340	3,290	**(50)**
Sub-Total Transmission Environmental Operations	**4,599**	**4,587**	**(11)**
Transmission Other			
Civil Service Retirement System (CSRS)	11,050	11,050	**0**
Non-Federal Debt Service *Note <1*		(1,340)	**(1,340)**
Sub-Total Transmission Other	**11,050**	**9,710**	**(1,340)**
Total Operations & Maintenance Expense	**211,898**	**213,903**	**2,005**

Between Business Line (BBL) Expense			
Ancillary Services *Note <4*	65,904	64,485	**(1,419)**
Corps/Bureau/Network/Delivery Facilities *Note <4*	3,544	3,732	**188**
Station Service *Note <4*	4,700	3,508	**(1,192)**
Total BBL Expense	**74,148**	**71,725**	**(2,423)**

Corporate Expense			
Legal Support *Note <4*	1,711	1,876	**165**
Shared Services Costs *Note <2, <4*	23,107	26,789	**3,682**
General and Administrative *Note <4*	25,450	27,466	**2,016**
Total Corporate Charges	**50,268**	**56,131**	**5,863**

Total TBL Expense	**336,314**	**341,759**	**5,445**

This information has been made publicly available by BPA on January 7, 2005, but due to the detailed nature or the manner in which it is grouped, the numbers cannot be separately identified in any other publicly released Standard Financial Report or other Agency Financial Information.

Notes:

<1 Lease costs for Schultz-Wautoma project originally included in interest

<2 Error correction as discussed in August 25, 2004 workshop

<3 Re-categorization of costs from Power System Dispatching

<4 Updated estimate

<5 Additional cost reduction

<6 Re-categorization of costs from PP&A

Presentation of costs for IT do not reflect the consolidation of the IT function to the Corporate Organization. However, in total, IT costs would not increase or decrease with the consolidated presentation.

Expense Program Levels FY06-07
($ in Thousands)

Program & Other Operating Costs	FY2006	FY2007
TBL Transmission Acquisition		
Leased Facilities	12,614	12,614
Settlements	912	912
Stability Reserve Payments	310	310
Sub-Total Transmission Acquisition	**13,835**	**13,835**
Transmission System Operations		
Information Technology	10,130	10,230
Power System Dispatching	9,800	9,800
Control Center Support	7,770	7,770
Technical Operations	3,620	3,620
Substation Operations	18,193	18,193
Sub-Total Transmission System Operations	**49,513**	**49,613**
Transmission Scheduling		
Management Supervision & Administration	356	356
Reservations	300	300
Pre-Scheduling	740	740
Real-Time Scheduling	3,206	3,506
Scheduling Technical Support	6,215	6,264
Scheduling After-The-Fact	653	653
Sub-Total Transmission Scheduling	**11,470**	**11,819**
Transmission Marketing		
Transmission Sales	2,243	2,243
Marketing Internal Operations	1,060	1,060
Transmission Finance	760	760
Contract Management	2,007	2,007
Transmission Billing	2,006	2,106
Business Strategy & Assessment	2,192	2,192
Marketing Information Technology Support	2,585	2,585
Meter Data	1,922	1,972
Sub-Total Transmission Marketing	**14,776**	**14,925**
Transmission Business Support		
Executive and Administrative Services *Note <1*	9,944	11,718
Staff Management	416	416
TBL Internal G&A *Note <1*	3,098	3,098
Aircraft Services	743	743
Logistics Services	3,700	3,700
Security Enhancements	1,007	1,007
Sub-Total Transmission Business Support	**18,907**	**20,681**
Transmission System Development (TSD)		
Research & Development	3,331	3,328
TSD Planning & Analysis	1,524	1,521
Capital to Expense Transfer	3,000	3,000
Inventory Management	1,000	1,000
Regulatory & Region Association Fees	700	700
Sub-Total Transmission System Development	**9,555**	**9,549**
Transmission System Maintenance		
Non-Electric Maintenance	9,244	8,344
Substation Maintenance	14,810	15,590
Transmission Line Maintenance	16,290	17,140
System Protection Control Maintenance	8,080	8,500
Power System Control Maintenance	8,110	8,540
System Maintenance Management	6,120	6,440

Program & Other Operating Costs	FY2006	FY2007
Right Of Way Maintenance	13,465	11,565
Heavy Mobile Equipment Maintenance (HMEM)	1,278	1,278
Technical Training	2,969	2,969
Sub-Total Transmission System Maintenance	**80,366**	**80,366**
Transmission Environmental Operations		
Environmental Policy & Planning	1,286	1,309
Pollution Prevention & Abatement	3,290	3,290
Sub-Total Transmission Environmental Operations	**4,576**	**4,599**
Transmission Other		
Civil Service Retirement System (CSRS)	11,550	10,550
Undistributed Cost Reduction	-	0
Non-Federal Debt Service *Note <2*	(2,680)	0
Sub-Total Transmission Other	**8,870**	**10,550**
Sub-Total System Operations & Maintenance	**211,868**	**215,938**
Between Business Line Expenses		
Ancillary Services	64,485	64,485
Corps/Bureau/Network/Delivery Facilities *Note <3*	3,544	3,920
Station Service *Note <4*	3,200	3,816
Sub-Total Between Business Line Expense	**71,229**	**72,221**
Corporate Expenses		
Legal Support	1,844	1,908
Shared Services Costs	26,221	27,357
General and Administrative	25,715	29,217
Sub-Total Corporate Charges	**53,780**	**58,482**
Total Expense Program Levels	**336,877**	**346,641**

This information has been made publicly available by BPA on January 7, 2005 but, due to the detailed nature or the manner in which it is grouped, the numbers cannot be separately identified in any other publicly released Standard Financial Report or other Agency Financial Information.

Notes:

<1: Executive and Admin Services includes expenses for Executive Management, Pay for Performance and Asset Management. TBL Internal G&A includes expenses for General Administration and Relocations. The increase in FY 2007 is due to moderate increase in pay for performance program.

<2:Schultz-Wautoma AFUDC credit due to project still under construction for part of FY 2006. FY 2007 recognizes the project being completed with no offsetting AFUDC credit.

<3:Corp and Bureau estimate.

<4: Estimate of Station Service and Re-dispatch based on current level usage and current rates.

Presentation of costs for IT do not reflect the consolidation of the IT function to the Corporate Organization. However, in total, IT costs would not increase or decrease with the consolidated presentation.

Sources: FY2004 data is from the FY2004 Audited Income Statement, FY2005 is consistent with the Start of Year budget and Final Program Levels as approved by Steve Wright, October 4, 2004.

Expense Program: Comparison of FY04-05 to FY04 Rate Case Program Levels ($ in Thousand's)				
	FY04 Rate Case FY04 *Note <1*	FY04 Actuals *Note <2*	FY04 Rate Case FY05 *Note <1*	FY05 Forecast *Note <2*
Total Operating Revenues	724,016	644,059	745,142	639,806
Operating Expenses				
Transmission Operations *Note <3*	96,312	83,998	98,811	77,893
Transmission Maintenance *Note <4*	84,491	77,475	86,511	83,218
Transmission Engineering *Note <5*	10,533	19,893	10,768	9,099
Transmission Acquisition and Ancillary Services *Note <6*	88,623	79,977	88,860	86,292
Transmission Reimbursables	10,000	8,352	10,000	10,000
General and Administrative/Shared Services *Note <7*	76,948	62,616	77,228	77,778
Other Income, Expenses, and Adjustments *Note <8*		(2,792)		(7,413)
Sub-Total Expense Programs	**366,907**	**329,521**	**372,178**	**336,867**
Depreciation	178,813	188,918	190,746	189,150
Sub-Total Operating Expenses	**545,720**	**518,438**	**562,924**	**526,017**
Net Operating Revenues (Expenses)	178,296	125,620	182,217	113,789
Net Interest Expense	166,160	137,822	176,289	141,537
Total Expenses	**711,880**	**656,261**	**739,213**	**667,554**
Net Revenues (Expenses) from Continuing Operations	**12,136**	**(12,202)**	**5,928**	**(27,748)**

This information has been made publicly available by BPA on January 7, 2005, but due to the detailed nature or the manner in which it is grouped, the numbers cannot be separately identified in any other publicly released Standard Financial Report or other Agency Financial Information.

Notes:

<1 The TBL groupings of expenses by programs and sub-programs for FY 2004 and 2005 estimates, developed as part of the FY 2003 Rate Case, are reconstituted to match the programs and sub-programs groupings shown on this report.

<2 Actuals: FY2004 Includes the Variable Interest Entity transactions. FY2005 scenarios do not include the VIE. For FY2005 the impact of the VIE is $49K in additional expenses.

<3 Transmission Operations includes Transmission System Operations, Transmissin Scheduling, Transmission Marketing, Transmission Business Support and Legal Support.

<4 Transmission Maintenance includes Transmission System Maintenance and Transmission Environmental Operations.

<5 Transmission Engineering includes Transmission System Development.

<6 Transmission Acquisition and Ancillary Services includes Transmission Acquisition and Between Business Line Expense.

<7 General and Administrative/Shared Services includes Corporate Expense except for Legal Support.

<8 Other Income, Expenses and Adjustments includes Transmission Other.

Sources: Actuals: FY2004 is from the audited final Income Statement. Rate Case: FY2004 and Rate Case: FY2005 are from the May 2003 Final Transmission Proposal, Forecast: FY2005 represents the final PIR results reviewed by Steve Wright October 2004.

Capital Program: Comparison of Initial and Current PIR Average FY06-07 Program Levels ($ in Thousands)

Capital Program	Averages Across FY06-07		
	PIR Initial <Note 1	PIR Proposal <Note 2	Delta
Main Grid <Note 3	55,680	52,019	(3,661)
Area and Customer Service <Note 4	16,305	17,318	1,013
Upgrades and Additions <Note 5	43,658	42,852	(806)
System Replacements <Note 6	75,080	52,060	(23,020)
Environment <Note 7	5,309	4,753	(557)
IT Development	10,619	10,619	0
All Other Capital <Note 8	3,380	3,298	(83)
Sub Total TBL Capital	**210,031**	**182,918**	**(27,113)**
Indirects <Note 9	80,005	73,812	(6,193)
Total TBL Capital Requiring Treasury Borrowing Authority	**290,036**	**256,730**	**(33,306)**
Non-Treasury Financed <Note 10	113,002	85,266	(27,736)
Total TBL Capital Program	**403,039**	**341,996**	**(61,043)**

This information has been made publicly available by BPA on January 7, 2005, but due to the detailed nature or the manner in which it is grouped, the numbers cannot be separately identified in any other publicly released Standard Financial Report or other Agency Financial Information.

Notes:

<1 Source: Initial PIR is from the Initial PIR meetings in June 2004.

<2 Source: Forecasted Capital used in the November 3, 2004 Revenue Requirements

<3 Planned capital for I-5 Corridor 230 kv upgrades and NERC Criteria Compliance decreased from initial proposal

<4 Work plan changed to start Lower Valley Reinf. And SW Ore Coast(Bandon-Rogue) a year earlier than planned in initial proposal

<5 Fiber Optics program reduced

<6 Removal of Dittmer Annex project from the capital plan

<7 Capital program for Enviroment decreased an average of 12% from initial proposal

<8 Capital program for Capital ADP Equipment decreased from initial proposal

<9 AFUDC decreased from initial proposal

<10 Projects shown in this section with the exception of Schultz-Wautoma have not been approved and depend upon signing transmission agreements requiring customer advance payments in return for future transmission credits before going forward.

Capital Program Levels FY06-07
($ in Thousands)

Program Description	Completion Date	FY06 Forecast	FY07 Forecast
Main Grid Projects			
Puget Sound Area Additions, Phase 2	2006	281	-
Schultz-Wautoma 500 kV Line	2006	2,350	-
Line Relocation (Nisqually Reservation)	2005	1,679	-
Line Relocations on Tribal Lands	On Going	3,495	3,654
Olympia-Shelton 500 kV Line	2007	10,491	12,896
I-5 Corridor 230 kV Upgrades	2007	5,247	5,373
Libby-Troy 230 kV Upgrade	2007	1,049	7,523
Other Associated Generation Integration	On Going	5,000	5,000
NERC Criteria Compliance	On Going	10,000	10,000
System Reactive Facilities	On Going	5,000	5,000
Various Additions	On Going	5,000	5,000
Sub-Total Main Grid		**49,591**	**54,446**
Area and Customer Service Projects			
SW Oregon Coast (Bandon-Rogue)	2010	315	1,827
Driscoll-Clatsop 230/115 kV Line	2006	4,721	-
Longview 230/115 kV Bank #2	2007	-	537
Lower Valley Reinforcement	2008	2,318	8,597
East Omak 230/115 kV Bank	2007	-	537
Madison Shunt Cap	2007	-	484
Reconductor Chehalis-Centralia 69 kV #1	2006	1,616	-
Reconductor Chehalis-Centralia 69 kV #2	2007	-	1,775
Split Bridge Shunt Cap into Two Groups	2008	-	376
Miscellaneous Line Upgrade/Cap Additions for Wind Projects	On Going	2,308	3,224
Customer Service Items	On Going	3,000	3,000
Sub-Total Area & Customer Service		**14,277**	**20,358**
Upgrades and Additions			
System Controls	On Going	12,589	12,896
Control Center Systems	On Going	8,791	6,265
Flathead Valley Reinforcement (Remedial Action Scheme)	2007	1,049	1,075
Fiber Optics (Includes Terminations)	On Going	12,589	14,508
Miscellaneous Line Upgrades	On Going	5,245	5,373
Miscellaneous Substation Additions	On Going	2,098	3,224
Sub-Total Upgrades & Additions		**42,362**	**43,342**
System Replacements			
Non-Electric Plants	On Going	4,196	4,299
Transmission Lines	On Going	2,098	2,149
Wood Poles	On Going	6,295	6,448
Non-Ceramic Insulators	On Going	315	322
Spacer-Damperers	On Going	2,728	2,794
Substations	On Going	10,491	10,747
System Protection	On Going	7,344	7,523
Power System Controls	On Going	3,147	3,224
Tools and Equipment	On Going	5,000	5,000
Emergency Funds	On Going	10,000	10,000
Sub-Total System Replacements		**51,613**	**52,507**
Environmental Projects			
Pollution, Prevention and Abatement	On Going	4,669	4,836
Sub-Total Environment		**4,669**	**4,836**

Program Description	Completion Date	FY06 Forecast	FY07 Forecast
Information Technology (IT) Development Projects			
Business System Development	On Going	5,245	5,373
Transmission System IT Development	On Going	5,245	5,373
Sub-Total IT Development		**10,491**	**10,747**
All Other Direct Capital			
Capital Automatic Data Processing Equipment	On Going	1,093	1,290
Completion of Prior Year Items	On Going	105	107
Capital-to-Expense Adjustments	On Going	(3,000)	(3,000)
Retirements and Sale of Facilities	On Going	5,000	5,000
Sub-Total All Other Capital		**3,198**	**3,397**
Total TBL Capital (Direct)		**176,202**	**189,633**
Indirects			
Transmission System Development Program Indirect		20,772	21,279
Transmission System Development Management Supervision & Administration		8,393	8,597
Support Services Capital Distribution		10,071	10,317
Allowance for Funds Unused During Construction (AFUDC)		16,018	12,830
Corporate Distributions		8,031	7,509
Corporate Shared Services		11,759	11,771
Corporate Legal Support		136	141
Sub-Total Capital (Indirect)		**75,179**	**72,444**
Total Capital Requiring Treasury Borrowing Authority		**251,382**	**262,078**
Non-Treasury Financed *<Note 1*			
Generator and Third Party Financed *<Note 2*			
Paul-Troutdale 500 kV	TBD	5,246	5,373
McNary-John Day 500 kV (including Wanapa Energy Integration at McNary)	TBD	60,742	43,955
Schultz-Wautoma 500 kV *<Note 3*	2006	4,616	-
Generator Interconnection	TBD	10,600	-
Projects Funded in Advance	TBD	20,000	20,000
Total Non-Treasury Financed		**101,204**	**69,328**
Total Capital (Direct, Indirect & Non-Treasury)		**352,586**	**331,406**

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Notes:

<1 Source: This category includes those facilities where BPA retains ownership but which is funded by a third party.

<2 Projects shown in this section with the exception of Schultz-Wautoma have not been approved and depend upon signing transmission agreements requiring customer advance payments in return for future transmission credits before going forward.

<3 Source: Project has been approved and is being funded through third party financing.

Capital Program: Comparison of FY04-05 to FY04 Rate Case Program Levels
($ in Thousands)

TBL Capital Program	FY04 Rate Case FY04 <Note 1	FY04 Actuals <Note 2	FY04 Rate Case FY05 <Note 1	FY05 Forecast <Note 3
Main Grid	148,858	165,505	104,872	30,271
Area and Customer Service	11,390	4,521	13,103	6,431
Upgrades and Additions	40,054	40,439	43,316	30,726
System Replacements	42,143	44,046	34,492	46,344
Environment	7,369	2,345	5,414	4,119
Information Technology Development	0	0	0	11,575
All Other Capital	(2,163)	51	(2,142)	3,309
Sub Total Capital	247,651	256,907	199,055	132,774
Indirects	79,339	74,223	81,204	74,509
Total Capital Requiring Treasury Borrowing Authority	326,990	331,130	280,259	207,283
Non-Treasury Financed <Note 4	139,026	1,565	79,762	151,743
Total TBL Capital Program	**466,016**	**332,695**	**360,021**	**359,026**

This information has been made publicly available by BPA on January 7, 2005, but due to the detailed nature or the manner in which it is grouped, the numbers cannot be separately identified in any other publicly released Standard Financial Report or other Agency Financial Information.

Notes:

<1 Source: FY04 Rate Case

<2 Source: Actuals as of September 30, 2004; unaudited financial statements

<3 Source: Forecasted Capital used in the November 3, 2004 Revenue Requirements

<4 Projects shown in this section with the exception of Schultz-Wautoma have not been approved and depend upon signing transmission agreements requiring customer advance payments in return for future transmission credits before going forward.

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