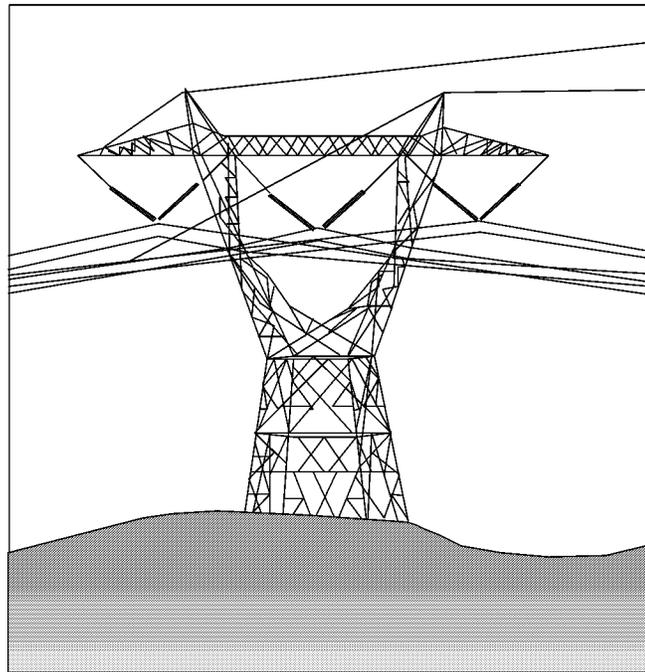


2006 INITIAL TRANSMISSION PROPOSAL

REVENUE REQUIREMENT STUDY

TR-06-E-BPA-01



FEBRUARY 2005



**Bonneville Power Administration
Transmission Business Line**

**2006 INITIAL TRANSMISSION PROPOSAL
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February 2005

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1 **1. INTRODUCTION**

2
3 **1.1 Purpose and Development of the Revenue Requirement Study**

4 The purpose of the Revenue Requirement Study (Study) is to establish the level of revenues
5 needed from rates for Bonneville Power Administration's (BPA's) transmission and ancillary
6 services to recover, in accordance with sound business principles, costs associated with the
7 transmission of electric power over the Federal Columbia River Transmission System (FCRTS).

8 The FCRTS is part of the larger Federal Columbia River Power System (FCRPS) which also
9 includes the hydroelectric, multipurpose facilities constructed and operated by the U.S. Army
10 Corps of Engineers and the Bureau of Reclamation in the Pacific Northwest. The FCRPS costs,
11 not included in the FCRTS costs, are funded and repaid through BPA power rates. The
12 transmission revenue requirements herein include: recovery of the Federal investment in
13 transmission and transmission-related assets; the operations and maintenance (O&M) and other
14 annual expenses associated with the provision of transmission and ancillary services; the cost of
15 generation inputs for ancillary services and other interbusiness-line services necessary for the
16 transmission of power; and all other transmission-related costs incurred by the Administrator.

17
18 The cost evaluation period for this rate proposal includes Fiscal Years (FYs) 2005 - 2007, the
19 period extending from the last year for which historical information is available through the
20 proposed rate test period. The Study includes the transmission revenue requirements for the rate
21 test period, FYs 2006 – 2007 and the results of transmission repayment studies.

1 This Study outlines the policies, forecasts, assumptions, and calculations used to determine
2 BPA's transmission revenue requirements. Legal requirements are summarized in Chapter 5 of
3 this Study. The Revenue Requirement Study Documentation (Documentation), TR-06-E-BPA-
4 01A, contains key technical assumptions and calculations, the results of the transmission
5 repayment studies, and a further explanation of the repayment inputs and its outputs.

6
7 The revenue requirements that appear in this Study are developed using a cost accounting
8 analysis comprised of three parts. First, repayment studies for the transmission function are
9 prepared to determine the amortization schedule and to project annual interest expense for bonds
10 and appropriations that fund the Federal investment in transmission and transmission-related
11 assets. Repayment studies are conducted for each year of the rate test period, and cover a
12 35-year repayment period. Second, transmission operating expenses, debt service reassignment,
13 and minimum required net revenues (if needed) are projected for each year of the rate test period.
14 Third, the necessity for including annual planned net revenues for risk is determined by taking
15 into account Transmission's business risks, BPA's cost recovery goals, and risk mitigation
16 measures. From these three steps, revenue requirements are set at the revenue level necessary to
17 fulfill BPA's cost recovery requirements and objectives. *See* Figure 1, Transmission Revenue
18 Requirement Process.

19
20 BPA conducts a current revenue test to determine whether revenues projected from current rates
21 meet its cost recovery requirements and objectives for the rate test and repayment period. If the
22 current revenue test indicates that cost recovery and risk mitigation requirements can be met,
23 current rates could be extended. The current revenue test, discussed in Chapter 4.2, demonstrates

1 that current revenues are insufficient to meet cost recovery requirements and objectives for the
2 rate test period and the repayment period.

3
4 Consistent with Department of Energy Order RA 6120.2 and the Federal Energy Regulatory
5 Commission (FERC) rate review standards applicable to BPA, BPA must demonstrate the
6 adequacy of the proposed rates to recover its costs. The revised revenue test determines whether
7 projected revenues from proposed rates will meet cost recovery requirements and objectives for
8 the rate test and repayment periods. The revised revenue test, discussed in Chapter 4.3,
9 demonstrates that revenues from the proposed transmission and ancillary services rates will
10 recover transmission costs in each year of the rate test period and over the ensuing 35-year
11 repayment period. Consistent with the Treasury payment probability (TPP) standard that BPA
12 adopted as a long-term policy in 1993, the costs are projected to be recovered through the
13 transmission and ancillary services rates with a greater than 95 percent probability that
14 associated United States (U.S.) Treasury payments will be made on time and in full over the two-
15 year rate period. *See* Chapter 2.2.

16
17 Table 1 summarizes the revised revenue test and shows projected net revenues from proposed
18 rates over the two-year rate period. In combination with other risk mitigation tools, these net
19 revenues are set at the lowest level necessary to achieve BPA's cost recovery objectives in the
20 face of transmission-related risks. Table 2 shows planned transmission amortization repayments
21 to the U.S. Treasury for each year of the rate test period.

1 **1.2 Public Involvement Process**

2 Concurrent with, but independent of preparing this rate proposal, BPA conducted a public
3 process for customers and constituents to comment on planned capital spending and the expenses
4 associated with supporting a reliable and safe transmission system. The results of these public
5 meetings contributed to the Administrator's decisions on TBL expense and capital spending
6 levels for the FYs 2006-2007 rate period. *See* Chapter 2. The Administrator's decisions have
7 been reflected in the revenue requirements, including repayment studies, in this rate proposal.

8

1 **2. SPENDING LEVEL DEVELOPMENT AND FINANCIAL POLICY**

2
3 **2.1 Development Process for Spending Levels**

4 In June 2004, BPA began a public involvement process entitled “Programs in Review” (PIR).

5 The purpose of PIR was to review and discuss transmission program spending levels for
6 FYs 2006 and 2007. The PIR process was designed to provide the region an overview of, and
7 context for, major policy issues surrounding BPA’s Transmission Business Line’s (TBL’s)
8 expense and capital programs.

9
10 BPA conducted seven regional workshops, in June and July 2004, to ask for customer input
11 during the PIR public process. The public process solicited customer comments on TBL’s
12 proposed FYs 2006 and 2007 program spending levels for transmission system operations,
13 maintenance and construction. This forum included a detailed discussion of transmission capital
14 spending levels and planned transmission system improvements, upgrades and reinforcement
15 projects. At the customers’ request, three additional technical workshops were held in Portland
16 in August 2004 so staff could provide additional information regarding BPA policy related to
17 debt optimization, non-Federal payment obligations, and staffing levels and specific operating
18 costs.

19
20 PIR workshop participants were advised that public comments and concerns offered during the
21 process would be considered in the Administrator’s close-out letter providing his decision with
22 regard to spending levels. The Administrator’s spending level decisions in the PIR process then
23 serve as the basis for the revenue requirements in this Study. Notices of the workshops were

1 distributed widely to TBL's customers and interested parties and posted on TBL's website.

2 Workshop participants provided substantial oral and written comments with regard to TBL's
3 planned transmission capital spending and program expenditures.

4
5 The Administrator issued a letter on January 21, 2005, closing out the public process and
6 including the Administrator's decisions on TBL program levels for FYs 2006 and 2007. *See*
7 Appendix B. The Administrator's decisions have been reflected in the revenue requirements,
8 including repayment studies, in this rate proposal. The spending levels for the rate period are
9 summarized in Figure 2.

10 11 **2.2 Financial Risk and Mitigation**

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

17
18 In this rate proposal, BPA has analyzed its transmission risks and has determined that this rate
19 proposal achieves the 95 percent probability standard for the transmission function for the two-
20 year rate period. To achieve this level of TPP, the following risk mitigation "tools" are
21 considered in the rate proposal.

1 (1) Starting financial reserves Starting financial reserves include cash and the deferred
2 borrowing balance attributed to the transmission function. BPA's risk analysis uses
3 a Monte Carlo model to simulate FY 2005 reserves separately for each of 5000
4 games. The most-likely value from the resultant distribution for the starting
5 FY 2006 reserves is \$179 million.

6
7 (2) Planned Net Revenue for Risk (PNRR) PNRR is a component of the revenue
8 requirement that is added to annual expenses if reserves are not sufficient for risk
9 mitigation purposes. PNRR adds to cash flows so that financial reserves are
10 sufficient to mitigate short-run volatility in expenses and revenues and achieve the
11 TPP goal. No PNRR is required to meet the TPP standard in this rate proposal.

12
13 (3) Two-Year Rate Period BPA is proposing to adopt rates for a two-year rate period.
14 The ability to revise rates after two years, or more frequently if need be, serves as an
15 important risk mitigation tool for BPA's transmission function. By adopting a two-
16 year rate period, the TBL limits the amount of risk that must be covered by financial
17 reserves and PNRR.

18 19 **2.2.1 Transmission Risk Analysis**

20 To quantify the effects of risk on the finances of BPA's transmission function, BPA analyzes the
21 effects of uncertainty in expenses and revenues on transmission cash flows using a Monte Carlo
22 simulation method. *See* Figure 3. The analysis is used to estimate the probability of successful
23 Treasury payment (on time and in full) for both years of the rate period. Successful Treasury

1 payment is deemed to occur when the end-of-year financial reserves for the transmission
2 function, after Treasury payments are made, are sufficient to cover the transmission function's
3 liquidity reserves (formerly termed "working capital") requirement of \$20 million. The liquidity
4 reserves threshold in the amount of \$20 million is based on the historical monthly net cash flow
5 patterns and monthly cash requirements for the transmission function.

6
7 The risk analysis covers the period FYs 2005 through 2007. Using this time frame permits
8 analysis of the change in revenues, expenses, and accrual-to-cash adjustments that are expected
9 to occur between the development of the final rate proposal and the end of the rate period. The
10 advantage to this approach is that financial reserves at the start of the next rate period (FYs 2006-
11 2007) may be simulated, including the effects of uncertainty in current rate period cash flows,
12 thus helping define the starting conditions for the next rate period.

13
14 The risk analysis model simulates financial reserves at the beginning of the FYs 2006 - 2007 rate
15 period and estimates PNRR if reserves are not sufficient to meet BPA's TPP standard. Initial
16 input values for point estimates of expenses come from the Study and the revenue inputs are
17 from the revenue forecast (Knudsen and Woerner, TR-06-E-BPA-04) and, when combined with
18 inputs describing uncertainty in expenses and revenues, provide the basis for the initial estimate
19 of PNRR. The PNRR, in turn, is provided as an input to the Study, raising the transmission
20 revenue requirement and transmission rates if needed to raise TPP. This iterative process is
21 continued until successive estimates of PNRR converge. *See* Documentation, TR-06-E-BPA-
22 01A, Chapter 8.

1
2 **2.2.2 Transmission Risk Analysis Model**

3 The foundation of the risk analysis is a transmission financial spreadsheet model. *See*
4 Documentation, TR-06-E-BPA-01A, Chapter 9.3. This model was developed to estimate the
5 effects of risk and risk mitigation on end-of-year financial reserves and the likelihood of
6 successful Treasury end-of-year payment for each year during the rate period. Financial reserve
7 levels at the end of each fiscal year determine whether BPA is able to meet its Treasury payment
8 obligation. The model contains individual work sheets including: an input matrix of revenues
9 and expenses, an income statement, a cash flow statement, accrual-to-cash adjustments, and
10 individual work sheets for variables specified with uncertainty in the model. Parameters for the
11 probability distributions were developed from historical data and analysis of risk factors.
12

13 **2.3 Capital Funding**

14 BPA transmission capital outlay projections for this proposal, as described in Appendix B, are
15 \$513.5 million for the FY 2006-2007 rate period. These investments are:

- 16 • transmission programs (\$482.8 million);
 - 17 • environmental program (\$9.5 million);
 - 18 • information technology projects (\$21.2 million).
- 19

20 **2.3.1 Bonds Issued to the Treasury**

21 Bonds issued to the U.S. Treasury will be the primary source of capital used to finance projected
22 FYs 2006-2007 transmission capital program investments. Interest rates on bonds issued by
23 BPA to the U.S. Treasury are set at market interest rates comparable to securities issued by other

1 agencies of the U.S. Government. Interest rates on bonds projected to be issued are included in
2 the Documentation, TR-06-E-BPA-01, Chapter 6.

3 4 **2.3.2 Federal Appropriations**

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

18 19 **2.3.3 Use of Reserves**

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

1 **2.3.4 Non-Federal Payment Obligations**

2 The transmission revenue requirements reflect two forms of non-Federal payment obligations.

3 The first form is a lease-purchase arrangement for capitalized asset purchases. BPA entered into
4 a transaction in 2004 with the Northwest Infrastructure Financing Corporation (NIFC), a
5 subsidiary of JH Management, to provide for the construction of the 500 kV Schultz-Wautoma
6 transmission line. BPA will make semi-annual lease payments for thirty years, concluding with
7 a single payment for the principal due on the bonds issued by NFIC. BPA will have the option
8 of purchasing the line at the end of the lease. During the term of the lease, TBL will operate the
9 Schultz-Wautoma line and provide transmission and ancillary services over the facilities.

10 Additional lease transactions are not forecast for the Rate Period.

11
12 The second form of non-Federal payment obligations included in the revenue requirements
13 consists of the functional reassignment to TBL of debt service (interest and principal) payment
14 obligations associated with non-Federal Energy Northwest (EN) bonds. This reassignment is a
15 result of BPA's Debt Optimization Program, which refinances and repays existing EN bonds
16 before they come due and uses the revenues made available from such refinancing to replenish or
17 create opportunities to replenish BPA's Treasury borrowing authority by retiring additional
18 Treasury obligations in amounts equal to the amount of principal of the new EN bonds. When
19 Treasury obligations associated with transmission investments are repaid under the Debt
20 Optimization Program, the debt service obligation associated with new EN debt in equivalent
21 principal amounts is assigned to the TBL. The revenue requirements reflect refinancing actions
22 that have occurred through 2004. No additional future refinancing activities are forecast for the
23 rate period in the study.

1
2
3
4
5
6
7

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

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

1 **3. DEVELOPMENT OF REPAYMENT STUDIES**

2
3 Repayment studies are performed as the first step in determining revenue requirements. The
4 studies establish the schedule of annual U.S. Treasury amortization for the rate test period and
5 the resulting interest payments.

6
7 In this Study, as in the previous transmission rate filing, the repayment period has been set at 35
8 years. This study horizon reflects the fact that bonds are not issued for terms longer than 35
9 years and that the outstanding appropriations and bonds in the transmission system are fully
10 repaid within this period. It also is consistent with the estimated average service life of
11 transmission system plant (40 years) in that it does not exceed that average lifetime. The
12 Revenue Requirement Study includes the results of transmission repayment studies for each year
13 in the rate test period, FYs 2006 and 2007. In conducting the repayment studies, BPA includes
14 outstanding and projected transmission repayment obligations for Congressional appropriations
15 and bonds issued to the U.S. Treasury. Funding for replacements projected during the repayment
16 period also is included in the repayment study, consistent with the requirements of RA 6120.2.

17 *See Chapter 5.*

18
19 Historical BPA appropriations are scheduled to be repaid within the expected useful life of the
20 associated facility or 50 years, whichever is less. Actual bonds issued by BPA to the Treasury
21 may be for terms ranging from 3 to 40 years, taking into account the estimated average service
22 lives for associated investments and prudent financing and cash management factors. In the
23 repayment studies, all projected bonds have a term of 35 years for transmission investment and

1 15 years for environment investment. Some bonds are issued with a provision that allows the
2 bond to be called after a certain time, typically five years. Bonds also may be issued with no
3 early call provision. Early retirement of eligible bonds requires that BPA pay a bond premium to
4 the Treasury. The premium that must be paid decreases with the age of the bond, and is
5 equivalent, in total, to a fixed premium and a reduced interest rate. This reduced effective
6 interest rate enters into the comparison with other Federal investments and obligations to
7 determine which should be repaid first. Bonds are issued to finance BPA transmission and
8 environment investments and are repaid within the provisions of each bond agreement with the
9 Treasury.

10
11 The streams of annual debt service pertaining to non-Federal payment obligations also are
12 included as fixed obligations that the repayment study takes into account in establishing the
13 overall levelized debt service. This reflects the priority of revenue application in DOE Order
14 RA 6120.2 in which these obligations have a higher priority of debt repayment. Therefore, the
15 study scheduled the repayment of Federal debt around these obligations.

16
17 Based on these parameters, the repayment study establishes a schedule of planned Federal
18 amortization payments and resulting gross Federal interest expense by determining the lowest
19 levelized debt service stream necessary to repay all transmission obligations within the required
20 repayment period. *See* repayment program tables in Appendix A. Further discussion of the
21 repayment program is included in the Documentation, TR-06-E-BPA-01A, Chapter 14.
22 Chapter 5 of this Study explains repayment policies and requirements.

1 **4. TRANSMISSION REVENUE REQUIREMENTS**

2
3 This chapter explains the cost accounting formats used to develop the revenue requirements for
4 FYs 2006 and 2007. Section 4.1.1 provides a line-by-line description of the Revenue
5 Requirement Income Statement and Section 4.1.2 provides a line-by-line description of the
6 Revenue Requirement Statement of Cash Flows.

7
8 **4.1 Revenue Requirement Format**

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

14
15 The Income Statement (Table 3 of this Study) displays the components of the annual revenue
16 requirements, which include Total Operating Expenses (Line 5), Net Interest Expense (Line 15),
17 Minimum Required Net Revenues (Line 17), and Planned Net Revenues for Risk (Line 18). The
18 sum of these four major components is the Total Revenue Requirement (Line 20) for each year
19 of the rate period.

20
21 The Minimum Required Net Revenues (Table 3, Line 17) result from an analysis of the
22 Statement of Cash Flows (Table 4 of this Study). Minimum Required Net Revenues may be
23 necessary to ensure that revenue requirements are sufficient to cover all cash requirements,

1 including annual amortization of the Federal investment as determined in the transmission
2 repayment studies.

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

12 13 **4.1.1 Income Statement**

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

17
18 **Operation and Maintenance (Line 2).** Operation and Maintenance represents FCRTS
19 O&M expenses incurred by BPA. Specific O&M expenses include transmission scheduling,
20 transmission marketing, transmission system operations, transmission system maintenance,
21 transmission system development, environment, non-Federal transmission arrangements, leases,
22 TBL general and administrative, TBL support services, Civil Service Retirement System pension

1 expense, and corporate administrative and support services. *See* Documentation, TR-06-E-BPA-
2 01A, Chapter 2.

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

9
10 **Federal Projects Depreciation (Line 4).** Depreciation is the annual capital recovery
11 expense associated with FCRTS plant-in-service. BPA transmission and general plant are
12 depreciated by the straight-line method of calculation, using the remaining life technique. *See*
13 Documentation, TR-06-E -BPA-01A, Chapter 3.

14
15 **Total Operating Expenses (Line 5).** Total Operating Expenses is the sum of the above
16 expenses (Lines 2 through 4).

17
18 **Debt Service Reassignment Interest (Line 7).** Debt service reassignment interest
19 consists of the interest component of the debt service reassigned to TBL through the Debt
20 Optimization Program. *See* Documentation, TR-06-E -BPA-01A, Chapter 7.

21
22 **Interest on Appropriated Funds (Line 9).** Interest on Appropriated Funds consists of
23 interest on the appropriations BPA received prior to the full implementation of BPA's self-

1 financing authority and is determined in the transmission repayment studies. *See*
2 Documentation, TR-06-E-BPA-01A, Chapter 2.

3
4 **Interest on Long-Term Debt (Line 10).** Interest on long-term debt includes interest on
5 bonds that BPA issues to the Treasury to fund investments in transmission plant, environment,
6 general plant supportive of transmission, and capital equipment. Such interest expense is
7 determined in the transmission repayment studies. Any payments of call premiums for bonds
8 projected to be amortized are included in this line. *See* Documentation, TR-06-E-BPA-01A,
9 Chapter 2.

10
11 **Interest Income (Line 11).** Interest income also is computed on the projected year-end
12 cash balances in the BPA fund attributable to the transmission function that carry over into the
13 next year. It is credited against bond interest. Also included is an interest income credit
14 calculated in the transmission repayment studies on funds to be collected during each year for
15 payments of Federal interest and amortization at the end of the fiscal year. A further explanation
16 of the calculation of the interest credit computed within the transmission repayment studies is
17 included in Appendix A. *See* Documentation, TR-06-E-BPA-01A, Chapter 4.

18
19 **Amortization of Capitalized Bond Premiums (Line 12).** When a bond issued to the
20 Treasury is refinanced, any call premium resulting from early retirement of the original bond is
21 capitalized and included in the principal of the new bond. The capitalized call premium then is
22 amortized over the term of the new bond. The annual amortization is a non-cash component of
23 interest expense. *See* Documentation, TR-06-E-BPA-01A, Chapter 2.

1
2 **Capitalization Adjustment (Line 13).** Implementation of the Refinancing Act entailed
3 a change in capitalization on BPA's financial statements. Outstanding appropriations attributed
4 to the transmission function were reduced by \$470 million as a result of the refinancing. The
5 reduction is recognized annually over the remaining repayment period of the refinanced
6 appropriations. The annual recognition of this adjustment is based on the increase in annual
7 interest expense resulting from implementation of the Act, as shown in repayment studies for the
8 year of the refinancing transaction (1997). The capitalization adjustment is included on the
9 income statement as a non-cash, contra-expense. *See* Documentation, TR-06-E-BPA-01A,
10 Chapter 2.

11
12 **Allowance for Funds Used During Construction (AFUDC) (Line 14).** AFUDC is a
13 credit against interest on long-term debt (Line 10). This non-cash reduction to interest expense
14 reflects an estimate of interest on the funds used during the construction period of facilities that
15 are not yet in service. AFUDC is capitalized along with other construction costs and is
16 recovered through rates over the expected service life of the related plant as part of the
17 depreciation expense after the facilities are placed in service.

18
19 **Net Interest Expense (Line 15).** Net Interest Expense is computed as the sum of Debt
20 Service Reassignment Interest (line 7), Interest on Appropriated Funds (Line 9), Interest on
21 Long-Term Debt (Line 10), Interest Income (Line 11), Amortization of Capitalized Bond
22 Premiums (Line 12), Capitalization Adjustment (Line 13), and AFUDC (Line 14).

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

3
4 **Minimum Required Net Revenues (Line 17).** Minimum Required Net Revenues, an
5 input from Line 2 of the Statement of Cash Flows (Table 4), may be necessary to cover cash
6 requirements in excess of accrued expenses. An explanation of the method used for determining
7 the Minimum Required Net Revenues is included in Section 4.1.2 below.

8
9 **Planned Net Revenues for Risk (Line 18).** Planned Net Revenues for Risk is the
10 amount of net revenues, if any, to be included in rates for financial risk mitigation. There are no
11 Planned Net Revenues for Risk included in the Initial Rate Proposal. Starting TBL reserves in
12 FY 2006 are projected to be sufficient to mitigate risk in FYs 2006 and 2007.

13
14 **Total Planned Net Revenues (Line 19).** Total Planned Net Revenues is the sum of
15 Minimum Required Net Revenues (Line 17) and Planned Net Revenues for Risk (Line 18).

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

19
20 **4.1.2 Statement of Cash Flows.**

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

1
2 **Minimum Required Net Revenues (Line 2).** Determination of this line is a result of
3 annual cash inflows and outflows shown on the Statement of Cash Flows. Minimum Required
4 Net Revenues may be necessary so that the cash provided from operations will be sufficient to
5 cover the planned amortization payments (the difference between Lines 13 and 19) without
6 causing the Annual Increase (Decrease) in Cash (Line 20) to be negative. The Minimum
7 Required Net Revenues amount determined in the Statement of Cash Flows is incorporated in the
8 Income Statement (Table 3, Line 17).

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

13
14 **Amortization of Capitalized Bond Premiums (Line 5).** Amortization of Capitalized
15 Bond Premiums, from the Income Statement (Table 3, Line 12), is a non-cash expense.

16
17 **Capitalization Adjustment (Line 6).** The Capitalization Adjustment, from the Income
18 Statement (Table 3, Line 13), is a non-cash (contra) expense.

19
20 **Accrual Revenues (AC Intertie/Fiber) (Line 7).** BPA accounts for the AC Intertie non-
21 Federal capacity ownership lump-sum payments received in FY 1995 as unearned revenues that
22 are recognized as annual accrued revenues over the estimated average service life of the
23 associated transmission facilities. Similarly, some leases of fiber optic capacity have included

1 up-front payments, the annual accrued revenues for which are being recognized over the life of
2 the particular contract. The annual accrual revenues, which are part of the total revenues
3 recovering the FCRTS revenue requirement, are included here as a non-cash adjustment to cash
4 from current operations.

5
6 **Drawdown of Cash Reserves for Capital Funding (Line 8).** The Drawdown of Cash
7 Reserves for Capital Funding refers to the use of cash accumulated from transmission revenues
8 in prior rate periods to fund capital expenditures in each year of the rate period.

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

13
14 **Investment in Utility Plant (Line 12).** Investment in Utility Plant represents the annual
15 increase in capital expenditures for additions and replacements to the transmission system funded
16 by Treasury bonds or available cash reserves. *See* Chapter 2 of this Study.

17
18 **Cash Used for Capital Investments (Line 13).** Cash Used for Capital Investments is
19 the sum of investments in utility plant.

20
21 **Increase in Long-Term Debt (Line 15).** Increase in Long-Term Debt reflects the new
22 bonds issued by BPA to the U.S. Treasury to fund the construction and environmental capital

1 equipment programs. Also included in this amount may be any notes issued to the U.S.
2 Treasury. *See* Documentation, TR-06-E-BPA-01A, Chapter 6.

3
4 **Debt Service Reassignment Principal (Line 16).** Debt Service Reassignment Principal
5 is the principal component of the debt service obligation reassigned to TBL through the Debt
6 Optimization Program. *See* Chapter 2.3.4.

7
8 **Repayment of Long-Term Debt (Line 17).** Repayment of Long-Term Debt is BPA's
9 planned repayment of outstanding bonds issued by BPA to the U.S. Treasury, as determined in
10 the repayment studies. *See* Documentation, TR-06-E-BPA-01A, Chapter 2.

11
12 **Repayment of Capital Appropriations (Line 18).** Repayment of Capital
13 Appropriations represents projected amortization of outstanding BPA appropriations (pre-self-
14 financing) as determined in the repayment studies. *See* Documentation,
15 TR-06-E-BPA-01A, Chapter 2.

16
17 **Cash From Treasury Borrowing and Appropriations (Line 19).** Cash From Treasury
18 Borrowing and Appropriations is the sum of Lines 15 through 18. This is the net cash flow
19 resulting from increases in cash from new long-term debt and decreases in cash from repayment
20 of long-term debt and capital appropriations.

21
22 **Annual Increase (Decrease) in Cash (Line 20).** Annual Increase (Decrease) in Cash,
23 the sum of Lines 9, 13, and 19, reflects the annual net cash flow from current operations and

1 investing and financing activities. Revenue requirements are set to meet all projected annual
2 cash flow requirements, as included on the Statement of Cash Flows. A decrease shown in this
3 line would indicate that annual revenues are insufficient to cover the year's cash requirements.
4 In such cases, Minimum Required Net Revenues are included to offset such decrease. *See*
5 discussion above of Minimum Required Net Revenues (Line 2).

6
7 **Planned Net Revenues For Risk (Line 21).** Planned Net Revenues For Risk reflects the
8 amounts included in revenue requirements to meet BPA's risk mitigation objectives (from
9 Table 3, Line 18.)

10
11 **Total Annual Increase (Decrease) in Cash (Line 22).** Total Annual Increase
12 (Decrease) in Cash, the sum of Lines 20 and 21, is the total annual cash that is projected to be
13 available to add to BPA's cash reserves.

14 15 **4.2 Current Revenue Test**

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

19
20 For the rate test period, the demonstration of the inadequacy of current rates is shown on
21 Tables 5 and 6. Table 5 is a pro forma income statement for each year. Table 6, Statement of
22 Cash Flows, tests the sufficiency of the resulting Net Revenues from Table 5 (Line 17) for
23 making the planned annual amortization payments. The Total Annual Increase (Decrease) in

1 Cash (Table 6, Line 18) must be at least zero to demonstrate the adequacy of the projected
2 revenues to cover all cash payment requirements. The current revenue test shows that current
3 rates are substantially insufficient to satisfy cost recovery requirements in the rate period.

4
5 Table 7 shows the inadequacy of current rates to satisfy cost recovery requirements over the 35-
6 year repayment period. The focal point of this table is the Net Position (Column K), which is the
7 amount of funds provided by revenues from current rates that remain after meeting annual
8 expenses requiring cash for the rate period and repayment of the Federal investment. Thus, if the
9 Net Position is zero or greater in each year of the rate approval period through the repayment
10 period, the projected revenues from current rates demonstrate BPA's ability to repay the Federal
11 investment in the FCRTS within the allowable time. As shown in Column K, the Net Position
12 results are negative for each year of the rate approval period and in each year of the repayment
13 period.

14 15 **4.3 Revised Revenue Test**

16 Consistent with RA 6120.2, the adequacy of proposed rates must be demonstrated. The revised
17 revenue test determines whether the revenues projected from proposed rates will meet cost
18 recovery requirements as well as the Treasury payment probability risk goal for the rate approval
19 period. The revised revenue test was conducted using the forecast of revenues under proposed
20 rates. *See* Knudsen and Woerner, TR-06-E-BPA-04, for the revenue forecast under current and
21 proposed rates. The results of the revised revenue test demonstrate that proposed rates are
22 adequate to fulfill the basic cost recovery requirements for the rate test period of FYs 2006 and
23 2007.

1
2 For the rate test period, the demonstration of the adequacy of proposed rates is shown on Tables
3 8 and 9. Table 8 presents pro forma income statements for each year. Table 9, Statement of
4 Cash Flows, tests the sufficiency of the resulting Net Revenues from Table 8 (Line 17) for
5 making the planned annual amortization. This is demonstrated by the Total Annual Increase
6 (Decrease) in Cash (Table 9, Line 18). The annual cash flow (Line 18) must be at least zero to
7 demonstrate the adequacy of the projected revenues to cover all cash payment requirements. To
8 accommodate the pattern of annual revenues and expenses, \$10 million of planned amortization
9 is shifted from FY 2007 to FY 2006. See Table 2.

11 **4.4 Repayment Test at Proposed Rates**

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

22
23 The historical data on this table have been taken from BPA's separate accounting analysis. The

1 rate test period data have been developed specifically for this rate filing. The repayment period
2 data are presented in a manner consistent with the requirements of RA 6120.2.

3

1 **5. LEGAL REQUIREMENTS AND POLICIES**

2
3 This chapter summarizes the statutory framework that guides the development of BPA’s
4 transmission revenue requirement and the recovery of BPA’s transmission costs and expenses
5 among the various users of the FCRTS, and the repayment policies that BPA follows in the
6 development of its revenue requirement.
7

8 **5.1 Development of BPA’s Revenue Requirements**

9 BPA’s revenue requirements are governed by three main legislative acts: the Flood Control Act
10 of 1944, P.L. No. 78-534, 58 Stat. 890, amended 1977; the Federal Columbia River
11 Transmission System Act (Transmission System Act) of 1974, P.L. No. 93-454, 88 Stat. 1376;
12 and the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power
13 Act), P.L. No. 96-501, 94 Stat. 2697. Other statutory provisions that guide the development of
14 BPA’s revenue requirements include the Federal Power Act, as amended by the Energy Policy
15 Act of 1992 (EPA-92), P.L. No. 102-486. 106 Stat. 2776; and the Omnibus Consolidated
16 Rescissions and Appropriations Act of 1996, P.L. No. 104-134, Stat. 132.
17

18 DOE Order “Power Marketing Administration Financial Reporting”, RA 6120.2, issued by the
19 Secretary of Energy provides guidance to Federal power marketing agencies regarding
20 repayment of the Federal investment. In addition, policies issued by the FERC provide guidance
21 on transmission pricing.
22

1 **5.1.1 Legal Requirement Governing BPA's Revenue Requirement.**

2 BPA constructs, operates, and maintains the FCRTS within the Pacific Northwest and makes
3 improvements or replacements thereto as are appropriate and required to: (a) integrate and
4 transmit electric power from existing or additional Federal or non-Federal generating units;
5 (b) provide service to BPA customers; (c) provide inter-regional transmission facilities; and
6 (d) maintain the electrical stability and reliability of the Federal system. Section 4 of the Federal
7 Columbia River Transmission System Act (Transmission System Act), 16 U.S.C. §838b. The
8 transmission system is built to encourage the widest possible use of all electric energy. Section
9 5, Flood Control Act, 16 U.S.C. §825s.

10
11 BPA's rates must be set in a manner that ensures revenue levels sufficient to recover its costs.
12 This requirement was first set forth in Section 7 of the Bonneville Project Act, 16 U.S.C. § 832f
13 (as amended 1977) which provided that:

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

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

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

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

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

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

17 *Rates established under this section shall become effective only, except in the case of*
18 *interim rules as provided in subsection (i)(6), upon confirmation and approval by the*
19 *Federal Energy Regulatory Commission upon a finding by the Commission, that such*
20 *rates:*

- 21
- 22 (A) *are sufficient to assure repayment of the Federal investment in the Federal*
23 *Columbia River Power System over a reasonable number of years after first*
24 *meeting the Administrator's other costs.*
 - 25
 - 26 (B) *are based upon the Administrator's total system costs; and*
27
 - 28 (C) *insofar as transmission rates are concerned, equitably allocate the costs of the*
29 *Federal transmission system between Federal and non-Federal power utilizing*
30 *such system.*

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

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

3 *(i) the provisions of otherwise applicable Federal laws shall continue in full force*
4 *and effect and shall continue to be applicable to the system; and*
5

6 *(ii) the rates for the transmission of electric power on the system shall be governed*
7 *only by such otherwise applicable provisions of law and not by any provision of*
8 *section 824i of this title, 824j of this title, this section, and section 824l of this*
9 *title, except that no rate for the transmission of power on the system shall be*
10 *unjust, unreasonable, or unduly discriminatory or preferential, as determined by*
11 *the Commission.*

12 In its final rule, *Promoting Wholesale Competition Through Open Access non-Discriminatory*
13 *transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and*
14 *Transmitting Utilities, Order No. 888 (Order 888)*, FERC Stats. & Regs. Par.31,036 (1996),

15 FERC established safe harbor protections for non-public utilities like BPA from FERC ordered
16 transmission service under the Federal Power Act. *See* 18 CFR §35.28(e). The safe harbor
17 provisions apply if FERC finds the non-public utility's open access transmission tariff is an
18 acceptable reciprocity tariff. In determining whether the non-public utility's tariff is consistent
19 with FERC's comparability standards, FERC requires sufficient information to conclude that the
20 non-public utility's rates associated with tariff service are comparable to the rates it charges
21 others, and also requires separate rates be established for transmission and ancillary services.

22 FERC Stats. & Regs. Par.31,036, 31,761 (1996),
23

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

1
2 **5.1.2 The BPA Appropriations Refinancing Act.**

3 As in the prior rate period, BPA's transmission rates for the FYs 2006 - 2007 rate period will
4 reflect the requirements of the Refinancing Act, part of the Omnibus Consolidated Rescissions
5 and Appropriations Act of 1996, P.L. No. 104-134, 110 Stat. 1321, enacted in April 1996. The
6 Refinancing Act required that unpaid principal on BPA appropriations ("old capital
7 investments") at the end of FY 1996 be reset at the present value of the principal and annual
8 interest payments BPA would make to the U.S. Treasury for these obligations absent the
9 Refinancing Act, plus \$100 million. 16 U.S.C. § 8381(b). The Refinancing Act also specified
10 that the new principal amounts of the old capital investments be assigned new interest rates from
11 the Treasury yield curve prevailing at the time of the refinancing transaction. 16 U.S.C.
12 §8381(a)(6)(A).

13
14 The Refinancing Act restricts prepayment of the new principal for old capital investments to
15 \$100 million during the first five years after the effective date of the financing. 16 U.S.C. §
16 8381(e). The Refinancing Act also specifies that repayment periods on new principal amounts
17 may not be earlier than determined prior to the refinancing. 16 U.S.C. §8381(d).

18
19 The Refinancing Act also directs the Administrator to offer to provide assurance in new or
20 existing power, transmission, or related service contracts that the Government would not increase
21 the repayment obligations in the future. 16 U.S.C. §8381(i).

1 **5.2 Repayment Requirements and Policies**

2
3 **5.2.1 Separate Repayment Studies.**

4 Section 10 of the Transmission System Act, 16 U.S.C. §838h, and section 7(a)(2)(C) of the
5 Northwest Power Act, 16 U.S.C. §839e(a)(2)(C), provide that the recovery of the costs of the
6 Federal transmission system shall be equitably allocated between Federal and non-Federal power
7 utilizing such system. In 1982, FERC first directed BPA to provide accounting and repayment
8 statements for its transmission system separate and apart from the accounting and repayment
9 statements for the Federal generation system. *See* 20 FERC ¶61,142 (1982). FERC required
10 BPA to establish books of account for the FCRTS separate from its generation costs; explained
11 that the FCRTS shall be comprised of all investments, including administrative and management
12 costs, related to the transmission of electric power; and directed BPA to develop repayment
13 studies for its transmission function separate from its generation function that set forth the date
14 of each investment, the repayment date and the amount repaid from transmission revenues. *See*
15 26 FERC ¶ 61,096 (1984). FERC approved BPA's methodology for separate repayment studies
16 in 1984. 28 FERC ¶61,325 (1984).

17
18 BPA has prepared separate repayment studies for its transmission and generation functions since
19 1984. BPA therefore has developed the transmission revenue requirement with no change in this
20 repayment policy.

1
2 **5.2.2 Repayment Schedules.**

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

8
9 There have been a number of changes in BPA's repayment policy over the years concurrent with
10 expansion of the Federal system and changing conditions. In general, current repayment criteria
11 first were approved by the Secretary of the Interior on April 3, 1963. These criteria were refined
12 and submitted to the Secretary and the Federal Power Commission (the predecessor agency to
13 FERC) in support of BPA's rate filing in September 1965.

14
15 The repayment policy was presented to Congress for its consideration for the authorization of the
16 Grand Coulee Dam Third Powerhouse in June 1966. The underlying theory of repayment was
17 discussed in the House of Representatives' Report related to authorization of this project, H.R.
18 Rep. No. 1409, 89th Cong., 2d Sess. 9-10 (1966). As stated in that report:

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

25 This approach to repayment scheduling has the effect of averaging the year-to-year variations in
26 costs and revenues over the repayment period. This results in a uniform cost per unit of power

1 sold, and permits the maintenance of stable rates for extended periods. It also facilitates the
2 orderly marketing of power and permits BPA's customers, which include both electric utilities
3 and electro-process industries, to plan for the future with assurance.

4
5 The Secretary of the Interior issued a statement of power policy on September 30, 1970, setting
6 forth general principles that reaffirmed the repayment policy as previously developed. The most
7 pertinent of these principles was set forth in the Department of the Interior Manual, Part 730,
8 Chapter 1:

9 *A. Hydroelectric power, although not a primary objective, will be proposed to*
10 *Congress and supported for inclusion in multiple-purpose Federal projects*
11 *when . . . it is capable of repaying its share of the Federal investment,*
12 *including operation and maintenance costs and interest, in accordance with*
13 *the law.*

14 *B. Electric power generated at Federal projects will be marketed at the lowest*
15 *rates consistent with sound financial management. Rates for the sale of*
16 *Federal electric power will be reviewed periodically to assure their*
17 *sufficiency to repay operating and maintenance costs and the capital*
18 *investment within 50 years with interest that more accurately reflects the cost*
19 *of money.*

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

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

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

7
8 On March 22, 1976, the Department of the Interior issued Chapter 4 of Part 730 of the DOI
9 Manual to codify financial reporting requirements for the Federal power marketing agencies.
10 Included therein are standard policies and procedures for preparing system repayment studies.

11
12 BPA and other Federal power marketing agencies were transferred to the newly established
13 Department of Energy (DOE) on October 1, 1977. *See* DOE Organization Act, 42 U.S.C. § 7101
14 et seq. (1994). The DOE adopted the policies set forth in Part 730 of the DOI Manual by issuing
15 Interim Management Directive No. 1701 on September 28, 1977, which subsequently was
16 replaced by RA 6120.2 issued on September 20, 1979, as amended on October 1, 1983.

17
18 The repayment policy outlined in DOE Order RA 6120.2, paragraph 12, provides that BPA's
19 total revenues from all sources must be sufficient to:

- 20 1. Pay all annual costs of operating and maintaining the Federal system;
- 21 2. Pay the cost each fiscal year of obtaining power through purchase and exchange
22 agreements, the cost for transmission services, and other costs during the year in
23 which such costs are incurred;

- 1 3. Pay interest expense each year on the unamortized portion of the Federal investment
2 financed with appropriated funds at the interest rates established for each Federal
3 generating project and for each annual increment of such investment in the BPA
4 transmission system, except that recovery of annual interest expense may be deferred
5 in unusual circumstances for short periods of time;
- 6 4. Pay when due the interest and amortization portion on outstanding bonds sold to the
7 U.S. Treasury; and
- 8 5. Repay:
 - 9 a. each dollar of power investments and obligations in the Federal generating
10 projects within 50 years after the projects become revenue producing, except as
11 otherwise provided by law;
 - 12 b. each annual increment of Federal transmission investments and obligations
13 within the average service life of such transmission facilities or within a
14 maximum of 50 years, whichever is less; and
 - 15 c. the cost of each replacement of the Federal system within its service life up to a
16 maximum of 50 years.

17
18 While RA 6120.2 allows repayment period of up to 50 years, BPA has set due dates at no more
19 than 40 years to reflect expected service lives of new transmission investment. The Refinancing
20 Act overrides provisions in RA 6120.2 related to determining interest during construction and
21 assigning interest rates to Federal investments financed by appropriations. This Act also
22 contains provisions on repayment periods (due dates) for the refinanced appropriations
23 investments. The Refinancing Act is discussed in section 5.1.2 of this Study.

1 In addition, other sections within RA 6120.2 require that any outstanding deferred interest
2 payments must be repaid before any planned amortization payments are made. Also, repayments
3 are to be made by amortizing those Federal investments and obligations bearing the highest
4 interest rate first, to the extent possible, while still completing repayment of each increment of
5 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	\$688,598
	Net Revenues	\$19,413
2007	Projected Revenues From Proposed Rates	\$717,600
	Projected Expenses	\$728,966
	Net Revenues	(\$11,396)
Average FYs 2006-2007	Projected Revenues From Proposed Rates	\$712,805
	Projected Expenses	\$708,797
	Net Revenues	\$4,008

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

Table 2a

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

Fiscal Year	Annual Amortization
2006	\$182,008
2007	\$178,888
Total	\$360,896

Table 2b

**PLANNED REPAYMENTS TO U.S. TREASURY
FYs 2006 – 2007 TRANSMISSION REPAYMENT STUDIES
REVISED REVENUE TEST
(\$000s)**

Fiscal Year	Annual Amortization
2006	\$192,007
2007	\$168,889
Total	\$360,896

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	200,301	211,102
5 TOTAL OPERATING EXPENSES	537,178	557,743
6 INTEREST EXPENSE		
7 DEBT SERVICE REASSIGNMENT INTEREST	25,657	25,657
8 INTEREST ON FEDERAL INVESTMENT -		
9 ON APPROPRIATED FUNDS	48,047	43,940
10 ON LONG-TERM DEBT	120,137	141,037
11 INTEREST INCOME	(10,218)	(9,754)
12 AMORTIZATION OF CAPITALIZED BOND PREMIUMS	3,009	2,900
13 CAPITALIZATION ADJUSTMENT	(18,968)	(18,968)
14 AFUDC	(16,018)	(12,830)
15 NET INTEREST EXPENSE	151,646	171,982
16 TOTAL EXPENSES	688,824	729,725
17 MINIMUM REQUIRED NET REVENUES 1/	4,394	0
18 PLANNED NET REVENUES FOR RISK	0	0
19 TOTAL PLANNED NET REVENUES	4,394	0
20 TOTAL REVENUE REQUIREMENT	693,218	729,725

1/ SEE NOTE ON CASH FLOW TABLE.

TABLE 4

**TRANSMISSION REVENUE REQUIREMENT
STATEMENT OF CASH FLOWS
(\$thousands)**

	A	B
	FY 2006	FY 2007
1 CASH FROM CURRENT OPERATIONS:		
2 MINIMUM REQUIRED NET REVENUES 1/	4,394	0
3 EXPENSES NOT REQUIRING CASH:		
4 FEDERAL PROJECTS DEPRECIATION	200,301	211,102
5 AMORTIZATION OF CAPITALIZED BOND PREMIUMS	3,009	2,900
6 CAPITALIZATION ADJUSTMENT	(18,968)	(18,968)
7 ACCRUAL REVENUES (AC INTERTIE/FIBER)	(6,728)	(6,728)
8 DRAWDOWN OF CASH RESERVES FOR CAPITAL FUNDING	15,000	15,000
9 CASH PROVIDED BY CURRENT OPERATIONS	197,008	203,306
10 CASH USED FOR CAPITAL INVESTMENTS:		
11 INVESTMENT IN:		
12 UTILITY PLANT	(275,896)	(280,778)
13 CASH USED FOR CAPITAL INVESTMENTS	(275,896)	(280,778)
14 CASH FROM TREASURY BORROWING AND APPROPRIATIONS:		
15 INCREASE IN LONG-TERM DEBT	260,896	265,778
16 DEBT SERVICE REASSIGNMENT PRINCIPAL		
17 REPAYMENT OF LONG-TERM DEBT	(124,938)	(152,700)
18 REPAYMENT OF CAPITAL APPROPRIATIONS	(57,070)	(26,189)
19 CASH FROM TREASURY BORROWING AND APPROPRIATIONS	78,888	86,889
20 ANNUAL INCREASE (DECREASE) IN CASH	0	9,417
21 PLANNED NET REVENUES FOR RISK	0	0
22 TOTAL ANNUAL INCREASE (DECREASE) IN CASH	0	9,417

1/ Line 20 must be greater than or equal to zero, otherwise net revenues are added so that there are no negative cash flows for the year.

**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	200,301	211,102
6 TOTAL OPERATING EXPENSES	537,178	557,743
7 INTEREST EXPENSE		
8 DSR INTEREST	25,657	25,657
9 ON APPROPRIATED FUNDS	48,047	43,940
10 ON LONG-TERM DEBT	120,137	141,038
11 INTEREST CREDIT ON CASH RESERVES	(8,954)	(4,756)
12 AMORTIZATION OF CAPITALIZED BOND PREMIUMS	3,009	2,900
13 CAPITALIZATION ADJUSTMENT	(18,968)	(18,968)
14 AFUDC	(16,018)	(12,830)
15 NET INTEREST EXPENSE	152,910	176,981
16 TOTAL EXPENSES	690,088	734,724
17 NET REVENUES	(54,830)	(91,624)

**TABLE 6
CURRENT REVENUE TEST
STATEMENT OF CASH FLOWS
(\$thousands)**

	A	B
	FY 2006	FY 2007
1 CASH FROM CURRENT OPERATIONS:		
2 NET REVENUES	(54,830)	(91,624)
3 EXPENSES NOT REQUIRING CASH:		
4 FEDERAL PROJECTS DEPRECIATION	200,301	211,102
5 AMORTIZATION OF CAPITALIZED BOND PREMIUMS	3,009	2,900
6 CAPITALIZATION ADJUSTMENT	(18,968)	(18,968)
7 ACCRUAL REVENUES (AC INTERTIE/FIBER)	(6,728)	(6,728)
8 CASH PROVIDED BY CURRENT OPERATIONS	122,784	96,682
9 CASH USED FOR CAPITAL INVESTMENTS:		
10 INVESTMENT IN:		
11 UTILITY PLANT	(335,035)	(284,706)
12 CASH USED FOR CAPITAL INVESTMENTS	(335,035)	(284,706)
13 CASH FROM TREASURY BORROWING AND APPROPRIATIONS:		
14 INCREASE IN LONG-TERM DEBT	335,035	284,706
15 REPAYMENT OF LONG-TERM DEBT	(124,938)	(152,700)
16 REPAYMENT OF CAPITAL APPROPRIATIONS	(57,070)	(26,189)
17 CASH FROM TREASURY BORROWING AND APPROPRIATIONS	153,027	105,817
18 ANNUAL INCREASE (DECREASE) IN CASH	(59,224)	(82,207)

TABLE 7
 FEDERAL COLUMBIA RIVER POWER SYSTEM
 TRANSMISSION REVENUES FROM CURRENT RATES
 REVENUE REQUIREMENT AND REPAYMENT STUDY RESULTS THROUGH THE REPAYMENT PERIOD
 (\$000)

YEAR COMBINED CUMULATIVE	A REVENUES (STATEMENT A)	B OPERATION & MAINTENANCE (STATEMENT E)	C PURCHASE AND EXCHANGE POWER (STATEMENT E)	D DEPRECIATION	E NET INTEREST (STATEMENT D)	F NET REVENUES (F=A-B-C-D-E)	G NONCASH EXPENSES 1/ (COLUMN D)	H FUNDS FROM OPERATION (H=F+G)	I AMORTIZATION (REV REQ STUDY DOC, V 2, C 3)	J IRRIGATION AMORTIZATION (STATEMENT C)	K NET POSITION (K=H-I-J)
1977	3,298,951	963,839	348,748	807,047	1,220,170	(40,853)	807,047	766,194	628,460		137,734
1978	116,430	69,767		51,503	60,337	(65,177)	51,503	(13,674)	194		(13,688)
1979	107,017	73,801		53,756	69,112	(69,652)	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	(31,906)	59,638	27,832	1,236 2/		26,596
1982	269,200	91,562		64,468	106,190	6,990	64,468	71,448	0		71,448
1983	369,641	99,520		67,969	136,268	53,884	67,969	121,653	0		121,653
1984	417,821	101,406		60,360	156,763	97,272	60,360	157,632	26,722 3/		130,910
1985	510,030	141,623		71,012	160,336	137,069	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		(57,376)
1987	466,728	148,596		85,807	177,020	46,305	85,807	131,112	146,860		(17,746)
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	(10,156)	93,076	82,918	119,322		(36,404)
1990	426,865	183,512		98,881	153,440	(6,978)	98,881	89,903	99,460		(9,557)
1991	439,671	199,668		98,731	139,468	2,014	98,731	100,745	70,930		29,815
1992	428,769	209,668		101,946	143,769	(26,834)	101,946	75,112	190,864		(115,752)
1993	417,555	189,926		101,929	173,271	(47,571)	101,929	54,368	130,969		(76,631)
1994	462,511	202,309		103,956	179,052	(22,906)	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		125,361	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	129,655	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)	136,388	124,146	114,597		9,659
2001	646,673	282,651		154,881	165,404	43,537	151,746	195,283	59,064		136,219
2002	720,362	364,511		161,042	150,718	44,111	148,912	193,023	131,667		61,366
2003	663,601	326,248		171,129	168,986	(2,772)	160,628	473,056	470,747		2,309
2004	644,059	329,521	15,303	188,918	122,319	(12,202)	208,795	162,693 5/	369,500		(76,807)
2005	639,806	330,435	32,089	189,150	114,254	(26,122)	169,254	128,132 5/	155,001		(26,865)
2006	635,258	330,445	32,089	200,301	127,253	(64,830)	177,614	122,784	182,008		(59,224)
2007	643,100	340,203	32,089	211,102	151,324	(91,624)	186,306	81,662	178,669		(97,207)

COST EVALUATION
 PERIOD
 2005

RATE APPROVAL
 PERIOD
 2006
 2007

REPAYMENT PERIOD	643.100	340.209	33,367	211.102	156,029	(99,627)	188,306	88,679	166,361	(77,702)
2008	643.100	340.209	33,367	211.102	156,029	(99,627)	188,306	88,679	166,361	(77,702)
2009	643.100	340.209	38,170	211.102	159,942	(106,324)	188,306	81,982	159,984	(77,702)
2010	643.100	340.209	30,291	211.102	158,438	(96,940)	188,306	91,366	169,068	(77,702)
2011	643.100	340.209	30,227	211.102	156,905	(95,343)	188,306	92,963	170,665	(77,702)
2012	643.100	340.209	56,236	211.102	156,531	(120,978)	188,306	67,328	145,030	(77,702)
2013	643.100	340.209	129,691	211.102	157,978	(195,880)	188,306	(7,574)	70,128	(77,702)
2014	643.100	340.209	113,846	211.102	163,035	(185,092)	188,306	3,214	80,916	(77,702)
2015	643.100	340.209	98,563	211.102	168,362	(175,135)	188,306	13,171	90,702	(77,702)
2016	643.100	340.209	78,111	211.102	177,985	(164,117)	188,306	24,189	101,691	(77,702)
2017	643.100	340.209	66,417	211.102	181,518	(176,146)	188,306	12,160	89,862	(77,702)
2018	643.100	340.209	66,170	211.102	186,370	(180,752)	188,306	7,554	85,256	(77,702)
2019	643.100	340.209	4,533	211.102	190,825	(103,569)	188,306	84,737	162,439	(77,702)
2020	643.100	340.209	4,459	211.102	187,704	(100,374)	188,306	87,932	165,634	(77,702)
2021	643.100	340.209	4,363	211.102	188,190	(100,784)	188,306	87,522	165,224	(77,702)
2022	643.100	340.209	4,304	211.102	191,935	(104,450)	188,306	83,856	161,558	(77,702)
2023	643.100	340.209	4,230	211.102	192,113	(104,554)	188,306	83,752	161,454	(77,702)
2024	643.100	340.209	4,152	211.102	195,140	(107,503)	188,306	80,803	159,505	(77,702)
2025	643.100	340.209	4,060	211.102	201,971	(114,261)	188,306	74,045	151,747	(77,702)
2026	643.100	340.209	4,011	211.102	204,542	(116,764)	188,306	71,542	149,244	(77,702)
2027	643.100	340.209	3,952	211.102	206,897	(119,060)	188,306	69,246	146,948	(77,702)
2028	643.100	340.209	3,900	211.102	204,231	(116,342)	188,306	71,964	149,664	(77,700)
2029	643.100	340.209	3,860	211.102	217,522	(129,593)	188,306	58,713	136,415	(77,702)
2030	643.100	340.209	3,827	211.102	221,548	(133,586)	188,306	54,720	132,422	(77,702)
2031	643.100	340.209	3,809	211.102	221,247	(133,266)	188,306	55,040	132,742	(77,702)
2032	643.100	340.209	3,813	211.102	224,733	(136,757)	188,306	51,549	129,251	(77,702)
2033	643.100	340.209	32,916	211.102	230,587	(171,713)	188,306	16,593	94,295	(77,702)
2034	643.100	340.209	69,497	211.102	240,784	(238,491)	188,306	(50,185)	27,513	(77,698)
2035	643.100	340.209	(2,642)	211.102	252,002	(157,571)	188,306	30,795	108,437	(77,702)
2036	643.100	340.209	(2,595)	211.102	258,199	(163,815)	188,306	24,491	102,193	(77,702)
2037	643.100	340.209	(2,539)	211.102	265,072	(170,744)	188,306	17,562	95,264	(77,702)
2038	643.100	340.209	(2,473)	211.102	272,270	(178,008)	188,306	10,298	88,000	(77,702)
2039	643.100	340.209	(2,410)	211.102	280,951	(186,752)	188,306	1,554	79,256	(77,702)
2040	643.100	340.209	(2,352)	211.102	290,413	(196,272)	188,306	(7,966)	69,733	(77,699)
2041	643.100	340.209	(2,297)	211.102	300,515	(206,429)	188,306	(18,123)	59,575	(77,690)
2042	643.100	340.209	(2,247)	211.102	310,460	(216,424)	188,306	(28,118)	49,576	(77,694)
TOTALS	36,359,277	17,906,906	1,053,050	10,791,111	11,743,239	(5,137,029)	9,866,232	5,140,403	5,913,090	(2,035,338)

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	B
	FY 2006	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	200,301	211,102
6 TOTAL OPERATING EXPENSES	537,178	557,743
7 INTEREST EXPENSE		
8 DSR INTEREST	25,657	25,657
9 ON APPROPRIATED FUNDS	48,047	43,287
10 ON LONG-TERM DEBT	120,137	141,037
11 INTEREST CREDIT ON CASH RESERVES	(10,444)	(9,830)
12 AMORTIZATION OF CAPITALIZED BOND PREMIUMS	3,009	2,900
13 CAPITALIZATION ADJUSTMENT	(18,968)	(18,968)
14 AFUDC	(16,018)	(12,830)
15 NET INTEREST EXPENSE	151,420	171,253
16 TOTAL EXPENSES	688,598	728,996
17 NET REVENUES	19,413	(11,396)

TABLE 9
REVISED REVENUE TEST
STATEMENT OF CASH FLOWS
(\$thousands)

	A	B
	FY 2006	FY 2007
1 CASH FROM CURRENT OPERATIONS:		
2 NET REVENUES	19,413	(11,396)
3 EXPENSES NOT REQUIRING CASH:		
4 FEDERAL PROJECTS DEPRECIATION	200,301	211,102
5 AMORTIZATION OF CAPITALIZED BOND PREMIUMS	3,009	2,900
6 CAPITALIZATION ADJUSTMENT	(18,968)	(18,968)
7 ACCRUAL REVENUES (AC INTERTIE/FIBER)	(6,728)	(6,728)
8 CASH PROVIDED BY CURRENT OPERATIONS	197,027	176,910
9 CASH USED FOR CAPITAL INVESTMENTS:		
10 INVESTMENT IN:		
11 UTILITY PLANT	(335,035)	(284,706)
12 CASH USED FOR CAPITAL INVESTMENTS	(335,035)	(284,706)
13 CASH FROM TREASURY BORROWING AND APPROPRIATIONS:		
14 INCREASE IN LONG-TERM DEBT	335,035	284,706
15 REPAYMENT OF LONG-TERM DEBT	(124,938)	(152,700)
16 REPAYMENT OF CAPITAL APPROPRIATIONS	(67,069)	(16,189)
17 CASH FROM TREASURY BORROWING AND APPROPRIATIONS	143,028	115,817
18 ANNUAL INCREASE (DECREASE) IN CASH	5,020	8,021

TABLE 10
 FEDERAL COLUMBIA RIVER POWER SYSTEM
 TRANSMISSION REVENUES FROM PROPOSED RATES
 REVENUE REQUIREMENT AND REPAYMENT STUDY RESULTS THROUGH THE REPAYMENT PERIOD
 (\$000)

YEAR COMBINED CUMULATIVE	A	B	C	D	E	F	G	H	I	J	K
	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-J)
1977	3,298,951	963,839	3,467,748	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	(69,652)	53,756	(35,896)	26		(35,922)
1980	170,603	77,694		55,613	76,039	(40,843)	55,613	14,970	2		14,968
1981	202,740	87,243		59,638	87,865	(31,806)	59,638	27,832	1,236 2/		26,596
1982	269,200	91,562		64,459	106,190	6,930	64,459	71,448	0		71,448
1983	369,641	99,520		67,969	130,268	53,984	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		(67,376)
1987	456,728	146,696		85,807	177,020	45,305	85,807	131,112	146,860		(17,746)
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	(10,166)	93,076	82,918	119,322		(36,404)
1990	426,865	183,512		96,881	163,440	(6,978)	96,881	89,903	99,460		(9,557)
1991	439,871	193,668		98,731	139,468	2,014	98,731	100,745	70,930		29,815
1992	428,769	209,868		101,946	143,789	(26,634)	101,946	75,112	190,864		(115,752)
1993	417,555	189,926		101,929	173,271	(47,571)	101,929	54,368	130,988		(76,631)
1994	462,511	202,309		103,956	173,052	(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		(17,776)
1996	534,466	206,128		125,961	165,175	37,192	123,219	145,411 5/	155,000		(9,588)
1997	503,217	197,202		124,467	176,977	4,581	109,802	114,363	125,000		(10,617)
1998	539,925	228,802		125,130	174,022	11,971	117,884	129,855	165,955		(66,100)
1999	562,134	231,410		147,176	173,574	(26)	133,779	139,764	139,764		(6,031)
2000	578,340	270,153		154,069	165,300	(11,212)	136,368	124,146	114,587		9,558
2001	646,673	282,861		164,861	165,404	43,537	151,746	195,263	99,064		136,219
2002	720,362	364,511		161,042	160,718	44,111	148,912	193,023	131,667		61,356
2003	663,601	326,248		171,129	168,996	(2,772)	160,628	473,066	470,747		2,309
2004	644,059	329,521	15,503	186,918	122,319	(12,202)	209,796	367,793 5/	369,500		28,293
COST EVALUATION											
2005	639,606	330,435	32,089	169,150	114,254	(26,122)	169,254	128,132 5/	165,001		(26,869)
RATE APPROVAL											
2006	708,011	330,445	32,089	200,301	125,763	19,413	177,614	197,027	192,007		5,020
2007	717,600	340,209	32,089	211,102	146,596	(11,396)	168,306	176,910	168,889		8,021

REPAYMENT PERIOD	717,600	340,209	211,102	152,955	(20,053)	188,306	166,253	166,361	1,872
2008	717,600	340,209	211,102	152,955	(20,053)	188,306	166,253	166,361	1,872
2009	717,600	340,209	211,102	154,968	(26,750)	188,306	161,556	159,684	1,872
2010	717,600	340,209	211,102	153,364	(17,386)	188,306	170,940	169,068	1,872
2011	717,600	340,209	211,102	151,691	(15,769)	188,306	170,665	170,665	1,872
2012	717,600	340,209	211,102	151,467	(41,404)	188,306	146,902	145,030	1,872
2013	717,600	340,209	211,102	152,904	(16,306)	188,306	72,000	70,128	1,872
2014	717,600	340,209	211,102	157,961	(105,518)	188,306	62,768	60,916	1,872
2015	717,600	340,209	211,102	163,288	(65,561)	188,306	92,745	90,873	1,872
2016	717,600	340,209	211,102	172,721	(64,543)	188,306	103,763	101,891	1,872
2017	717,600	340,209	211,102	176,444	(66,572)	188,306	91,734	89,862	1,872
2018	717,600	340,209	211,102	181,236	(101,178)	188,306	87,128	85,256	1,872
2019	717,600	340,209	211,102	186,751	(23,965)	188,306	164,311	162,439	1,872
2020	717,600	340,209	211,102	182,630	(20,600)	188,306	167,506	165,634	1,872
2021	717,600	340,209	211,102	183,116	(21,210)	188,306	167,096	165,224	1,872
2022	717,600	340,209	211,102	186,861	(24,876)	188,306	163,430	161,558	1,872
2023	717,600	340,209	211,102	187,039	(24,960)	188,306	163,326	161,454	1,872
2024	717,600	340,209	211,102	190,066	(27,929)	188,306	160,377	158,505	1,872
2025	717,600	340,209	211,102	196,897	(34,687)	188,306	153,619	151,747	1,872
2026	717,600	340,209	211,102	199,468	(37,190)	188,306	151,116	149,244	1,872
2027	717,600	340,209	211,102	201,823	(39,486)	188,306	148,820	146,946	1,872
2028	717,600	340,209	211,102	199,157	(36,786)	188,306	151,538	149,664	1,874
2029	717,600	340,209	211,102	212,448	(50,019)	188,306	138,267	136,415	1,872
2030	717,600	340,209	211,102	216,474	(64,012)	188,306	134,294	132,422	1,872
2031	717,600	340,209	211,102	216,173	(53,892)	188,306	134,614	132,742	1,872
2032	717,600	340,209	211,102	219,659	(57,163)	188,306	131,123	129,251	1,872
2033	717,600	340,209	211,102	225,513	(62,139)	188,306	96,167	94,295	1,872
2034	717,600	340,209	211,102	235,710	(150,917)	188,306	29,369	27,513	1,876
2035	717,600	340,209	211,102	246,928	(77,997)	188,306	110,309	108,437	1,872
2036	717,600	340,209	211,102	253,125	(64,241)	188,306	104,065	102,193	1,872
2037	717,600	340,209	211,102	259,986	(91,170)	188,306	97,136	95,264	1,872
2038	717,600	340,209	211,102	267,196	(66,434)	188,306	89,872	88,000	1,872
2039	717,600	340,209	211,102	275,677	(107,178)	188,306	81,128	79,256	1,872
2040	717,600	340,209	211,102	285,339	(116,686)	188,306	71,608	69,733	1,875
2041	717,600	340,209	211,102	295,441	(126,955)	188,306	61,451	59,575	1,876
2042	717,600	340,209	211,102	305,365	(136,850)	188,306	51,456	49,576	1,880
TRANSMISSION TOTALS	36,114,030	17,508,906	10,791,111	11,566,431	(2,197,466)	9,666,232	8,300,164	5,913,069	284,434

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

2/CONSISTS OF AMORTIZATION (\$1,660) AND DEFERRAL PAYMENT (\$2,780).

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

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

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

FIGURES

**FIGURE 1
TRANSMISSION REVENUE REQUIREMENT PROCESS**

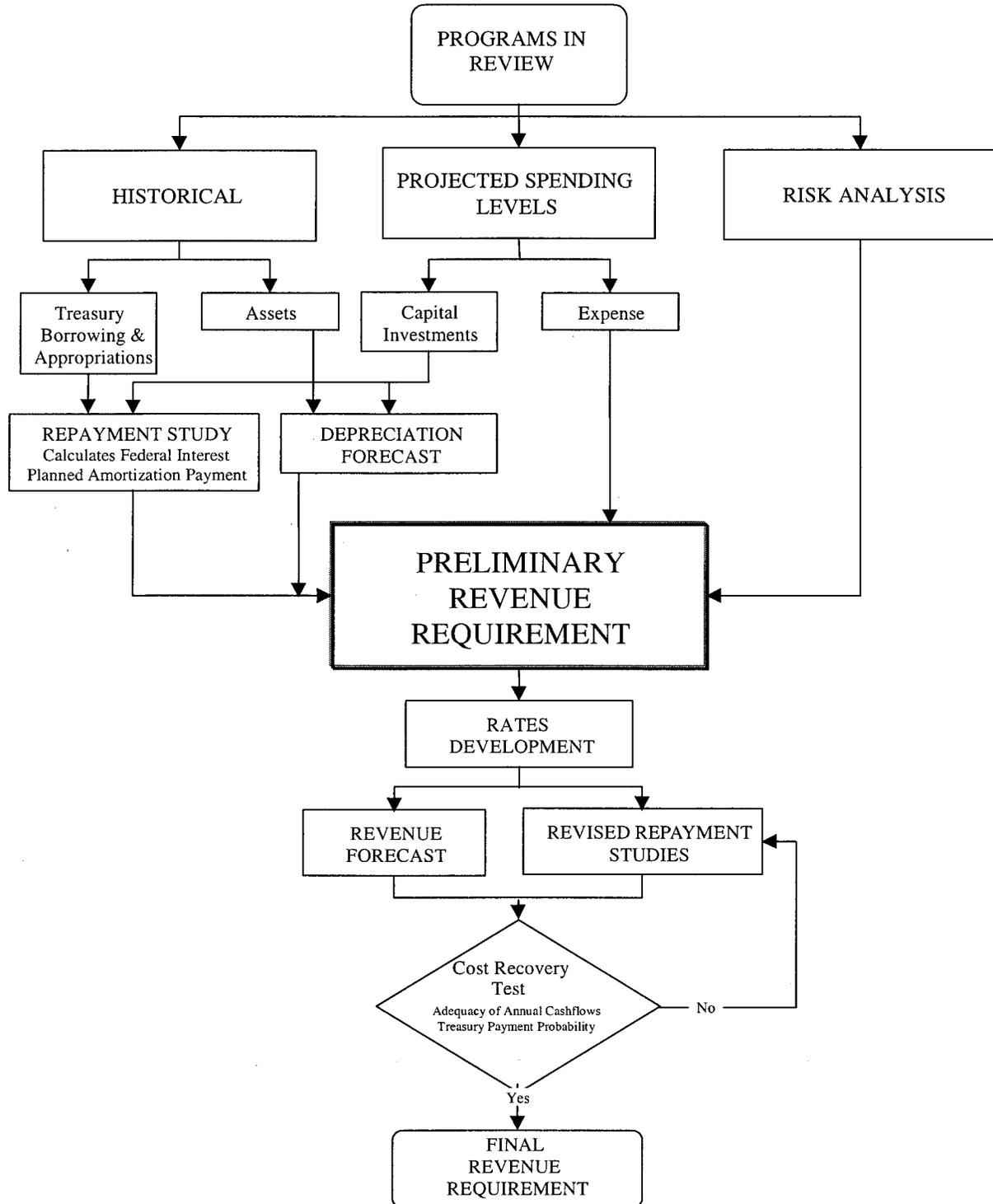
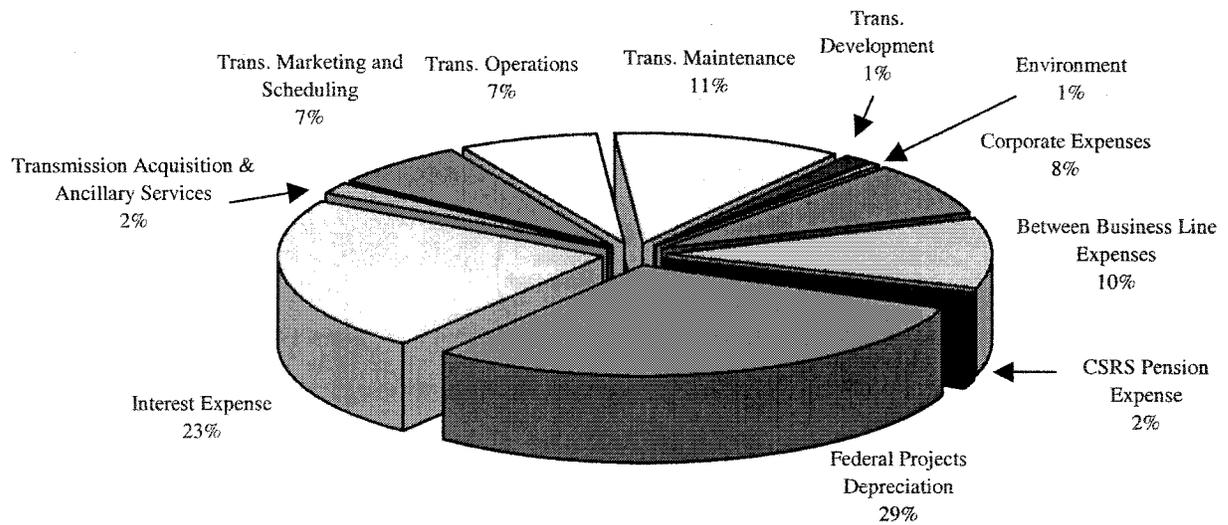


Figure 2

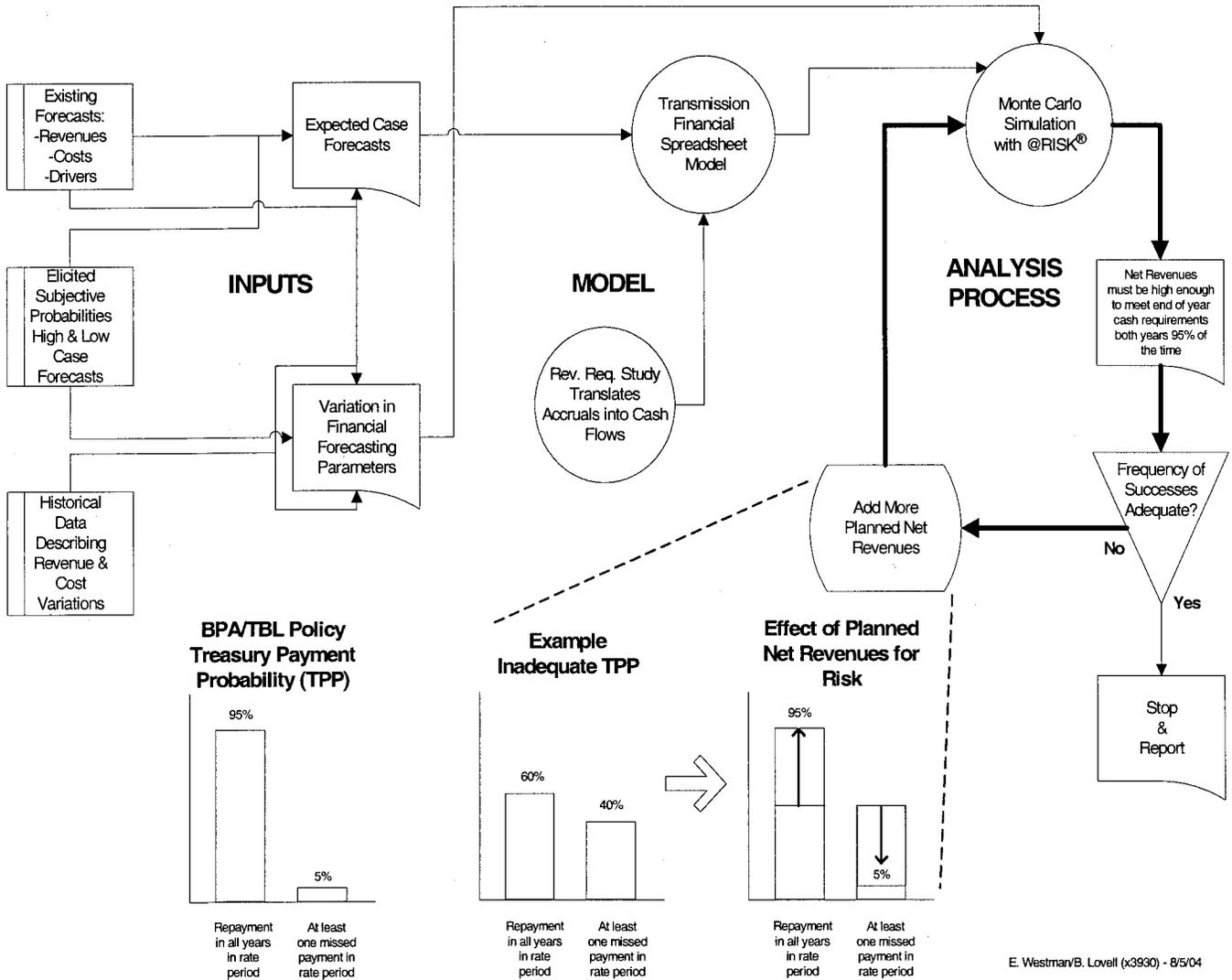
**Composition of Transmission Operating & Interest Expenses
FY 2006-2007 Average**



	(\$ in millions)			
	FY 2006	FY 2007	Average	
Transmission Acquisition & Ancillary Services	\$ 11.2	\$ 13.8	\$ 12.5	2%
Transmission Marketing and Scheduling	\$ 45.2	\$ 47.4	\$ 46.3	7%
Transmission System Operations	\$ 49.5	\$ 49.6	\$ 49.6	7%
Transmission System Maintenance	\$ 80.4	\$ 80.4	\$ 80.4	11%
Transmission System Development	\$ 9.6	\$ 9.5	\$ 9.6	1%
Environment	\$ 4.6	\$ 4.6	\$ 4.6	1%
Corporate Expenses	\$ 53.8	\$ 58.5	\$ 56.1	8%
Between Business Line Expenses	\$ 71.2	\$ 72.2	\$ 71.7	10%
CSRS Pension Expense	\$ 11.6	\$ 10.6	\$ 11.1	2%
Federal Projects Depreciation	\$ 200.3	\$ 211.1	\$ 205.7	29%
Interest Expense	\$ 151.6	\$ 172.0	\$ 161.8	23%
Total Transmission Expenses	\$ 688.8	\$ 729.7	\$ 709.3	100%

Figure 3

TBL Rate Case Risk Analysis - Flow Diagram



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-E-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-E-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 INITIAL PROPOSAL 2006
 FY 2006-2007
 (000s)

Maturing/Due		
Bonds		
	2006	124,938
	2007	152,700
		<u>277,638</u>
Appropriations		
	2006	15,739
	2007	24,474
		<u>40,213</u>
TOTAL DUE		317,851

Scheduled But Not Yet Due		
Bonds		
	2006	0
	2007	0
		<u>0</u>
Appropriations		
	2006	41,331
	2007	1,715
		<u>43,046</u>
TOTAL DUE		43,046

Total by Year		
Bonds		
	2006	124,938
	2007	152,700
		<u>277,638</u>
Appropriations		
	2006	57,070
	2007	26,189
		<u>83,259</u>
TOTAL AMORTIZATION	2006	182,008
	2007	178,889
		<u>360,897</u>

TABLE A.2A

BONNEVILLE POWER ADMINISTRATION
 OCTOBER 1, 2004 - SEPTEMBER 30, 2007 COST EVALUATION PERIOD
 Revised Transmission 3-year Base with 2004 HY 11-18-04

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

Date	Initial Project	Replacements	Cumulative Amount in Service	Investment Placed 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	229,134.00	-	2,938,266.00	155,000.00	1.00	2,783,265.00
09/30/2006	268,497.50	-	3,206,763.50	140,677.00	41,330.93	2,869,754.57
09/30/2007	-	118,591.00	3,325,354.50	171,520.13	-	2,816,825.44
09/30/2008	-	122,945.00	3,448,299.50	148,032.00	14,924.55	2,776,813.89
09/30/2009	-	127,001.00	3,575,300.50	82,589.00	73,581.36	2,747,644.53
09/30/2010	-	130,989.00	3,706,289.50	116,259.00	49,192.71	2,713,181.82
09/30/2011	-	134,879.00	3,841,168.50	138,240.00	28,690.65	2,681,130.17
09/30/2012	-	138,865.00	3,980,033.50	21,457.00	119,695.34	2,678,842.83
09/30/2013	-	143,033.00	4,123,066.50	18,250.00	47,833.38	2,755,792.45
09/30/2014	-	147,381.00	4,270,447.50	76,665.82	-	2,826,507.63
09/30/2015	-	151,707.00	4,422,154.50	-	86,383.63	2,891,831.00
09/30/2016	-	155,961.00	4,578,115.50	-	99,489.17	2,948,302.83
09/30/2017	-	160,079.00	4,738,194.50	-	85,465.91	3,022,915.92
09/30/2018	-	163,942.00	4,902,136.50	-	80,527.15	3,106,330.77
09/30/2019	-	167,822.00	5,069,958.50	65,000.00	92,407.05	3,116,745.72
09/30/2020	-	171,702.00	5,241,660.50	141,919.00	18,141.94	3,128,386.78
09/30/2021	-	175,451.00	5,417,111.50	155,923.50	3,281.09	3,144,633.19
09/30/2022	-	179,049.00	5,596,160.50	100,000.00	55,010.19	3,168,672.00
09/30/2023	-	182,517.00	5,778,677.50	135,000.00	19,532.36	3,196,656.64
09/30/2024	-	185,748.00	5,964,425.50	108,010.00	43,112.27	3,231,282.37
09/30/2025	-	188,650.00	6,153,075.50	-	144,116.89	3,275,815.48
09/30/2026	-	191,261.00	6,344,336.50	-	141,011.47	3,326,065.01
09/30/2027	-	193,596.00	6,537,932.50	-	138,421.32	3,381,239.69
09/30/2028	-	195,689.00	6,733,621.50	139,227.66	-	3,437,701.03
09/30/2029	-	197,467.00	6,931,088.50	-	126,013.63	3,509,154.40
09/30/2030	-	199,009.00	7,130,097.50	-	121,177.88	3,586,985.52
09/30/2031	-	200,238.00	7,330,335.50	106,600.00	13,371.80	3,667,251.72
09/30/2032	-	201,290.00	7,531,625.50	98,802.92	16,596.60	3,753,142.20
09/30/2033	-	202,133.00	7,733,758.50	40,000.00	39,055.27	3,876,219.93
09/30/2034	-	202,533.00	7,936,291.50	11,425.12	-	4,067,327.81
09/30/2035	-	202,799.00	8,139,090.50	-	90,796.96	4,179,329.85
09/30/2036	-	202,998.00	8,342,088.50	-	82,716.54	4,299,611.31
09/30/2037	-	202,965.00	8,545,053.50	-	74,207.45	4,428,368.86
09/30/2038	-	202,820.00	8,747,873.50	-	64,213.44	4,566,975.42
09/30/2039	-	202,634.00	8,950,507.50	-	53,388.36	4,716,221.06
09/30/2040	-	202,489.00	9,152,996.50	41,922.73	-	4,876,787.33
09/30/2041	-	202,489.00	9,355,485.50	29,727.45	-	5,049,548.88
09/30/2042	-	-	9,355,485.50	-	21,796.19	5,027,752.69
Total	\$3,003,457.50	\$6,352,028.00	-	\$2,242,248.33	\$2,085,484.48	-

TABLE A.2B

BONNEVILLE POWER ADMINISTRATION
OCTOBER 1, 2004 - SEPTEMBER 30, 2007 COST EVALUATION PERIOD
Revised Transmission 3-year Base with 2004 HY 11-18-04

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	57,069.93
09/30/2007	152,700.00	18,820.13
09/30/2008	137,119.00	25,837.55
09/30/2009	72,700.00	83,470.36
09/30/2010	89,932.00	75,519.71
09/30/2011	115,000.00	51,930.65
09/30/2012	-	141,152.34
09/30/2013	-	66,083.38
09/30/2014	59,050.00	17,615.82
09/30/2015	-	86,383.63
09/30/2016	57,744.67	41,744.50
09/30/2017	85,465.91	-
09/30/2018	80,527.15	-
09/30/2019	157,407.05	-
09/30/2020	160,060.94	-
09/30/2021	159,204.59	-
09/30/2022	155,010.19	-
09/30/2023	154,532.36	-
09/30/2024	151,122.27	-
09/30/2025	144,116.89	-
09/30/2026	141,011.47	-
09/30/2027	138,421.32	-
09/30/2028	139,227.66	-
09/30/2029	126,013.63	-
09/30/2030	121,177.88	-
09/30/2031	119,971.80	-
09/30/2032	115,399.52	-
09/30/2033	79,055.27	-
09/30/2034	11,425.12	-
09/30/2035	90,796.96	-
09/30/2036	82,716.54	-
09/30/2037	74,207.45	-
09/30/2038	64,213.44	-
09/30/2039	53,388.36	-
09/30/2040	41,922.73	-
09/30/2041	29,727.45	-
09/30/2042	21,796.19	-
Total	\$3,660,603.81	\$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
 Revised Transmission 3-year Base with 2004 HY 11-18-04

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	57,069.93
09/30/2007	152,700.00	18,820.13
09/30/2008	137,119.00	25,837.55
09/30/2009	72,700.00	83,470.36
09/30/2010	89,932.00	75,519.71
09/30/2011	115,000.00	51,930.65
09/30/2012	-	141,152.34
09/30/2013	-	66,083.38
09/30/2014	59,050.00	17,615.82
09/30/2015	-	86,383.63
09/30/2016	57,744.67	41,744.50
09/30/2017	85,465.91	-
09/30/2018	80,527.15	-
09/30/2019	157,407.05	-
09/30/2020	160,060.94	-
09/30/2021	159,204.59	-
09/30/2022	155,010.19	-
09/30/2023	154,532.36	-
09/30/2024	151,122.27	-
09/30/2025	144,116.89	-
09/30/2026	141,011.47	-
09/30/2027	138,421.32	-
09/30/2028	139,227.66	-
09/30/2029	126,013.63	-
09/30/2030	121,177.88	-
09/30/2031	119,971.80	-
09/30/2032	115,399.52	-
09/30/2033	79,055.27	-
09/30/2034	11,425.12	-
09/30/2035	90,796.96	-
09/30/2036	82,716.54	-
09/30/2037	74,207.45	-
09/30/2038	64,213.44	-
09/30/2039	53,388.36	-
09/30/2040	41,922.73	-
09/30/2041	29,727.45	-
09/30/2042	21,796.19	-
Total	\$3,660,603.81	\$667,129.00

(1) Net of interest income and AFUDC.

TABLE A.2D

BONNEVILLE POWER ADMINISTRATION OCTOBER 1, 2004 - SEPTEMBER 30, 2007 COST EVALUATION PERIOD Revised Transmission 3-year Base with 2004 HY 11-18-04

Table G: Summary of Payments (FY 2006)

Date	Principal		Interest	
	Transmission Payment	Total Payment	Transmission Payment	Total Payment
09/30/2005	155,001.00	155,001.00	152,901.78	152,901.78
09/30/2006	182,007.93	182,007.93	161,375.34	161,375.34
09/30/2007	171,520.13	171,520.13	173,001.92	173,001.92
09/30/2008	162,956.55	162,956.55	179,145.22	179,145.22
09/30/2009	156,170.36	156,170.36	181,147.17	181,147.17
09/30/2010	165,451.71	165,451.71	179,744.90	179,744.90
09/30/2011	166,930.65	166,930.65	178,329.54	178,329.54
09/30/2012	141,152.34	141,152.34	178,096.61	178,096.61
09/30/2013	66,083.38	66,083.38	179,710.18	179,710.18
09/30/2014	76,665.82	76,665.82	184,969.86	184,969.86
09/30/2015	86,383.63	86,383.63	190,536.78	190,536.78
09/30/2016	99,489.17	99,489.17	197,881.72	197,881.72
09/30/2017	85,465.91	85,465.91	203,597.90	203,597.90
09/30/2018	80,527.15	80,527.15	208,782.47	208,782.47
09/30/2019	157,407.05	157,407.05	213,539.75	213,539.75
09/30/2020	160,060.94	160,060.94	210,957.83	210,957.83
09/30/2021	159,204.59	159,204.59	211,889.07	211,889.07
09/30/2022	155,010.19	155,010.19	216,162.27	216,162.27
09/30/2023	154,532.36	154,532.36	216,712.82	216,712.82
09/30/2024	151,122.27	151,122.27	220,199.54	220,199.54
09/30/2025	144,116.89	144,116.89	227,276.45	227,276.45
09/30/2026	141,011.47	141,011.47	230,449.30	230,449.30
09/30/2027	138,421.32	138,421.32	233,099.78	233,099.78
09/30/2028	139,227.66	139,227.66	232,342.66	232,342.66
09/30/2029	126,013.63	126,013.63	245,598.81	245,598.81
09/30/2030	121,177.88	121,177.88	250,468.56	250,468.56
09/30/2031	119,971.80	119,971.80	251,692.51	251,692.51
09/30/2032	115,399.52	115,399.52	256,261.54	256,261.54
09/30/2033	79,055.27	79,055.27	263,505.23	263,505.23
09/30/2034	11,425.12	11,425.12	274,551.12	274,551.12
09/30/2035	90,796.96	90,796.96	287,325.04	287,325.04
09/30/2036	82,716.54	82,716.54	295,360.46	295,360.46
09/30/2037	74,207.45	74,207.45	303,816.55	303,816.55
09/30/2038	64,213.44	64,213.44	313,746.56	313,746.56
09/30/2039	53,388.36	53,388.36	324,512.64	324,512.64
09/30/2040	41,922.73	41,922.73	335,918.24	335,918.24
09/30/2041	29,727.45	29,727.45	348,057.55	348,057.55
09/30/2042	21,796.19	21,796.19	353,718.81	353,718.81
Total	\$4,327,732.81	\$4,327,732.81	\$8,866,384.48	\$8,866,384.48

TABLE A.2E

BONNEVILLE POWER ADMINISTRATION
OCTOBER 1, 2004 - SEPTEMBER 30, 2007 COST EVALUATION PERIOD
 Revised Transmission 3-year Base with 2004 HY 11-18-04

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

Date	Unamortized Investment	Term Schedule
09/30/2004	7,346,373.38	5,999,902.00
09/30/2005	7,272,240.38	5,899,710.00
09/30/2006	7,185,750.81	5,772,530.50
09/30/2007	7,238,679.94	5,404,993.50
09/30/2008	7,278,691.49	5,314,906.50
09/30/2009	7,307,860.85	5,359,318.50
09/30/2010	7,342,323.56	5,374,048.50
09/30/2011	7,374,375.21	5,370,687.50
09/30/2012	7,376,662.55	5,428,247.50
09/30/2013	7,299,712.93	5,444,370.50
09/30/2014	7,228,997.75	5,342,338.50
09/30/2015	7,163,674.38	5,278,658.50
09/30/2016	7,107,202.55	5,199,972.50
09/30/2017	7,032,589.46	4,972,702.50
09/30/2018	6,949,174.61	4,895,641.50
09/30/2019	6,938,759.66	4,906,011.50
09/30/2020	6,927,118.60	4,982,952.50
09/30/2021	6,910,872.19	5,090,497.00
09/30/2022	6,886,833.38	5,221,535.00
09/30/2023	6,858,848.74	5,404,052.00
09/30/2024	6,824,223.01	5,589,800.00
09/30/2025	6,779,689.90	5,663,517.00
09/30/2026	6,729,440.37	5,854,778.00
09/30/2027	6,674,265.69	6,048,374.00
09/30/2028	6,617,804.35	5,975,163.00
09/30/2029	6,546,350.98	6,156,908.00
09/30/2030	6,468,519.86	6,221,639.00
09/30/2031	6,388,253.66	6,121,877.00
09/30/2032	6,302,363.18	5,774,267.00
09/30/2033	6,179,285.45	5,306,438.00
09/30/2034	5,988,177.57	5,210,571.00
09/30/2035	5,876,175.53	5,413,370.00
09/30/2036	5,755,894.07	5,616,368.00
09/30/2037	5,627,136.52	5,819,333.00
09/30/2038	5,488,529.96	6,022,153.00
09/30/2039	5,339,284.32	6,224,787.00
09/30/2040	5,178,718.05	6,210,061.00
09/30/2041	5,049,548.88	6,148,722.00
09/30/2042	5,027,752.69	6,030,131.00
Total	\$257,868,156.46	\$218,071,333.50

TABLE A.3A

BONNEVILLE POWER ADMINISTRATION

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

Revised Transmission 3-year Base with 2004 HY 11-18-04

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

Date	Initial Project	Replacements	Cumulative Amount In Service	Investment Placed 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	229,134.00	-	2,938,266.00	155,000.00	1.00	2,783,265.00
09/30/2006	268,497.50	-	3,206,763.50	140,677.00	41,330.93	2,869,754.57
09/30/2007	279,554.10	-	3,486,317.60	177,174.00	1,714.63	2,970,420.04
09/30/2008	-	125,044.00	3,611,361.60	148,032.00	18,348.66	2,929,083.38
09/30/2009	-	129,009.00	3,740,370.60	82,589.00	77,095.36	2,898,408.02
09/30/2010	-	132,886.00	3,873,256.60	116,259.00	52,808.64	2,862,226.38
09/30/2011	-	136,618.00	4,009,874.60	138,240.00	32,424.99	2,828,179.39
09/30/2012	-	140,354.00	4,150,228.60	21,457.00	123,573.36	2,823,503.03
09/30/2013	-	144,215.00	4,294,443.60	18,250.00	51,877.97	2,897,590.06
09/30/2014	-	148,247.00	4,442,690.60	63,966.46	16,949.35	2,964,921.25
09/30/2015	-	152,293.00	4,594,983.60	-	90,872.56	3,026,341.69
09/30/2016	-	156,334.00	4,751,317.60	-	101,890.86	3,080,784.83
09/30/2017	-	160,283.00	4,911,600.60	-	89,862.13	3,151,205.70
09/30/2018	-	163,952.00	5,075,552.60	-	85,256.45	3,229,901.25
09/30/2019	-	167,577.00	5,243,129.60	65,000.00	97,438.54	3,235,039.71
09/30/2020	-	171,207.00	5,414,336.60	141,919.00	23,714.65	3,240,613.06
09/30/2021	-	174,746.00	5,589,082.60	155,923.50	9,300.19	3,250,135.37
09/30/2022	-	178,206.00	5,767,288.60	104,836.10	56,722.09	3,266,783.18
09/30/2023	-	181,629.00	5,948,917.60	135,000.00	26,454.16	3,286,958.02
09/30/2024	-	184,857.00	6,133,774.60	108,010.00	50,495.19	3,313,309.83
09/30/2025	-	187,730.00	6,321,504.60	-	151,746.82	3,349,293.01
09/30/2026	-	190,241.00	6,511,745.60	-	149,243.70	3,390,290.31
09/30/2027	-	192,421.00	6,704,166.60	-	146,947.98	3,435,763.33
09/30/2028	-	194,290.00	6,898,456.60	149,664.33	-	3,480,389.00
09/30/2029	-	195,720.00	7,094,176.60	-	136,415.34	3,539,693.66
09/30/2030	-	196,874.00	7,291,050.60	-	132,421.96	3,604,145.70
09/30/2031	-	197,685.00	7,488,735.60	106,600.00	26,141.56	3,669,089.14
09/30/2032	-	198,269.00	7,687,004.60	98,900.00	30,351.10	3,738,107.04
09/30/2033	-	198,619.00	7,885,623.60	40,000.00	54,294.89	3,842,431.15
09/30/2034	-	198,538.00	8,084,161.60	-	27,512.74	4,013,456.41
09/30/2035	-	198,349.00	8,282,510.60	-	108,436.76	4,103,368.65
09/30/2036	-	198,095.00	8,480,605.60	-	102,192.75	4,199,270.90
09/30/2037	-	197,629.00	8,678,234.60	-	95,263.66	4,301,636.24
09/30/2038	-	197,066.00	8,875,300.60	-	87,999.87	4,410,702.37
09/30/2039	-	196,539.00	9,071,839.60	-	79,255.70	4,527,985.67
09/30/2040	-	196,066.00	9,267,905.60	69,733.30	-	4,654,318.37
09/30/2041	-	195,732.00	9,463,637.60	59,575.01	-	4,790,475.36
09/30/2042	-	195,558.00	9,659,195.60	49,575.81	-	4,936,457.55
Total	\$3,283,011.60	\$6,376,184.00	-	\$2,346,381.51	\$2,376,356.54	-

TABLE A.3B

BONNEVILLE POWER ADMINISTRATION
 OCTOBER 1, 2004 - SEPTEMBER 30, 2007 COST EVALUATION PERIOD
 Revised Transmission 3-year Base with 2004 HY 11-18-04

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	57,069.93
09/30/2007	152,700.00	26,188.63
09/30/2008	137,119.00	29,261.66
09/30/2009	72,700.00	86,984.36
09/30/2010	89,932.00	79,135.64
09/30/2011	115,000.00	55,664.99
09/30/2012	-	145,030.36
09/30/2013	-	70,127.97
09/30/2014	59,050.00	21,865.81
09/30/2015	-	90,872.56
09/30/2016	98,464.77	3,426.09
09/30/2017	89,862.13	-
09/30/2018	85,256.45	-
09/30/2019	162,438.54	-
09/30/2020	165,633.65	-
09/30/2021	165,223.69	-
09/30/2022	161,558.19	-
09/30/2023	161,454.16	-
09/30/2024	158,505.19	-
09/30/2025	151,746.82	-
09/30/2026	149,243.70	-
09/30/2027	146,947.98	-
09/30/2028	149,664.33	-
09/30/2029	136,415.34	-
09/30/2030	132,421.96	-
09/30/2031	132,741.56	-
09/30/2032	129,251.10	-
09/30/2033	94,294.89	-
09/30/2034	27,512.74	-
09/30/2035	108,436.76	-
09/30/2036	102,192.75	-
09/30/2037	95,263.66	-
09/30/2038	87,999.87	-
09/30/2039	79,255.70	-
09/30/2040	69,733.30	-
09/30/2041	59,575.01	-
09/30/2042	49,575.81	-
Total	\$4,055,609.05	-

(1) Net of interest income and AFUDC.

TABLE A.3C

BONNEVILLE POWER ADMINISTRATION
 OCTOBER 1, 2004 - SEPTEMBER 30, 2007 COST EVALUATION PERIOD
 Revised Transmission 3-year Base with 2004 HY 11-18-04

Table D: Interest Payments (FY 2007)

Date	Transmission Bonds	Transmission Appropriations
09/30/2005	104,751.54	48,150.24
09/30/2006	113,328.82	48,046.52
09/30/2007	134,148.79	43,939.64
09/30/2008	147,235.75	42,106.36
09/30/2009	151,251.96	40,003.21
09/30/2010	156,058.43	33,692.54
09/30/2011	160,231.43	27,986.77
09/30/2012	163,871.13	23,972.46
09/30/2013	175,829.19	13,461.40
09/30/2014	185,958.79	8,389.09
09/30/2015	192,866.66	6,808.19
09/30/2016	208,861.01	247.02
09/30/2017	212,830.67	-
09/30/2018	217,683.18	-
09/30/2019	222,138.26	-
09/30/2020	219,017.11	-
09/30/2021	219,502.97	-
09/30/2022	223,248.27	-
09/30/2023	223,426.02	-
09/30/2024	226,452.62	-
09/30/2025	233,283.52	-
09/30/2026	235,855.07	-
09/30/2027	238,210.12	-
09/30/2028	235,544.00	-
09/30/2029	248,835.10	-
09/30/2030	252,861.48	-
09/30/2031	252,559.75	-
09/30/2032	256,045.96	-
09/30/2033	261,899.61	-
09/30/2034	272,096.50	-
09/30/2035	283,315.24	-
09/30/2036	289,512.25	-
09/30/2037	296,385.34	-
09/30/2038	303,583.13	-
09/30/2039	312,264.30	-
09/30/2040	321,725.70	-
09/30/2041	331,827.98	-
09/30/2042	341,773.18	-
Total	\$8,626,270.83	\$336,803.44

(1) Net of interest income and AFUDC.

TABLE A.3D

BONNEVILLE POWER ADMINISTRATION
 OCTOBER 1, 2004 - SEPTEMBER 30, 2007 COST EVALUATION PERIOD
 Revised Transmission 3-year Base with 2004 HY 11-18-04

Table G: Summary of Payments (FY 2007)

Date	Principal		Interest	
	Transmission Payment	Total Payment	Transmission Payment	Total Payment
09/30/2005	155,001.00	155,001.00	152,901.78	152,901.78
09/30/2006	182,007.93	182,007.93	161,375.34	161,375.34
09/30/2007	178,888.63	178,888.63	178,088.43	178,088.43
09/30/2008	166,380.66	166,380.66	189,342.11	189,342.11
09/30/2009	159,684.36	159,684.36	191,255.17	191,255.17
09/30/2010	169,067.64	169,067.64	189,750.97	189,750.97
09/30/2011	170,664.99	170,664.99	188,218.20	188,218.20
09/30/2012	145,030.36	145,030.36	187,843.59	187,843.59
09/30/2013	70,127.97	70,127.97	189,290.59	189,290.59
09/30/2014	80,915.81	80,915.81	194,347.88	194,347.88
09/30/2015	90,872.56	90,872.56	199,674.85	199,674.85
09/30/2016	101,890.86	101,890.86	209,108.03	209,108.03
09/30/2017	89,862.13	89,862.13	212,830.67	212,830.67
09/30/2018	85,256.45	85,256.45	217,683.18	217,683.18
09/30/2019	162,438.54	162,438.54	222,138.26	222,138.26
09/30/2020	165,633.65	165,633.65	219,017.11	219,017.11
09/30/2021	165,223.69	165,223.69	219,502.97	219,502.97
09/30/2022	161,558.19	161,558.19	223,248.27	223,248.27
09/30/2023	161,454.16	161,454.16	223,426.02	223,426.02
09/30/2024	158,505.19	158,505.19	226,452.62	226,452.62
09/30/2025	151,746.82	151,746.82	233,283.52	233,283.52
09/30/2026	149,243.70	149,243.70	235,855.07	235,855.07
09/30/2027	146,947.98	146,947.98	238,210.12	238,210.12
09/30/2028	149,664.33	149,664.33	235,544.00	235,544.00
09/30/2029	136,415.34	136,415.34	248,835.10	248,835.10
09/30/2030	132,421.96	132,421.96	252,861.48	252,861.48
09/30/2031	132,741.56	132,741.56	252,559.75	252,559.75
09/30/2032	129,251.10	129,251.10	256,045.96	256,045.96
09/30/2033	94,294.89	94,294.89	261,899.61	261,899.61
09/30/2034	27,512.74	27,512.74	272,096.50	272,096.50
09/30/2035	108,436.76	108,436.76	283,315.24	283,315.24
09/30/2036	102,192.75	102,192.75	289,512.25	289,512.25
09/30/2037	95,263.66	95,263.66	296,385.34	296,385.34
09/30/2038	87,999.87	87,999.87	303,583.13	303,583.13
09/30/2039	79,255.70	79,255.70	312,264.30	312,264.30
09/30/2040	69,733.30	69,733.30	321,725.70	321,725.70
09/30/2041	59,575.01	59,575.01	331,827.98	331,827.98
09/30/2042	49,575.81	49,575.81	341,773.18	341,773.18
Total	\$4,722,738.05	\$4,722,738.05	\$8,963,074.27	\$8,963,074.27

TABLE A.3E

BONNEVILLE POWER ADMINISTRATION
OCTOBER 1, 2004 - SEPTEMBER 30, 2007 COST EVALUATION PERIOD
 Revised Transmission 3-year Base with 2004 HY 11-18-04

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

Date	Unamortized Investment	Transmission
		Term Schedule
09/30/2004	7,163,783.10	5,999,902.00
09/30/2005	7,089,650.10	5,899,710.00
09/30/2006	7,003,160.53	5,772,530.50
09/30/2007	6,902,495.06	5,565,956.60
09/30/2008	6,943,831.72	5,477,968.60
09/30/2009	6,974,507.08	5,524,388.60
09/30/2010	7,010,688.72	5,541,015.60
09/30/2011	7,044,735.71	5,539,393.60
09/30/2012	7,049,412.07	5,598,442.60
09/30/2013	6,975,325.04	5,615,747.60
09/30/2014	6,907,993.85	5,514,581.60
09/30/2015	6,846,573.41	5,451,487.60
09/30/2016	6,792,130.27	5,373,174.60
09/30/2017	6,721,709.40	5,146,108.60
09/30/2018	6,643,013.85	5,069,057.60
09/30/2019	6,637,875.39	5,079,182.60
09/30/2020	6,632,302.04	5,155,628.60
09/30/2021	6,622,779.73	5,262,468.10
09/30/2022	6,606,131.92	5,387,827.00
09/30/2023	6,585,957.08	5,569,456.00
09/30/2024	6,559,605.27	5,754,313.00
09/30/2025	6,523,622.09	5,827,110.00
09/30/2026	6,482,624.79	6,017,351.00
09/30/2027	6,437,151.77	6,209,772.00
09/30/2028	6,392,526.10	6,135,162.00
09/30/2029	6,333,221.44	6,315,160.00
09/30/2030	6,268,769.40	6,377,756.00
09/30/2031	6,203,825.96	6,275,441.00
09/30/2032	6,134,808.06	5,924,810.00
09/30/2033	6,030,483.95	5,453,467.00
09/30/2034	5,859,458.69	5,353,605.00
09/30/2035	5,769,546.45	5,551,954.00
09/30/2036	5,673,644.20	5,750,049.00
09/30/2037	5,571,278.86	5,947,678.00
09/30/2038	5,462,212.73	6,144,744.00
09/30/2039	5,344,929.43	6,341,283.00
09/30/2040	5,218,596.73	6,320,134.00
09/30/2041	5,082,439.74	6,252,038.00
09/30/2042	4,936,457.55	6,172,878.00
Total	\$249,439,259.28	\$223,668,733.00

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 Base with 2004 HY 11-18-04

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 PO\	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 PO\	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 PO\	1961	2006	4,468	4,468	6.950%	No	No	4,468
FY 2006	BONNEVILLE PO\	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 PO\	1972	2017	29,326	29,326	7.290%	No	No	14,884
FY 2006	BONNEVILLE PO\	1972	2017	21,170	21,170	7.290%	Yes	No	21,170
FY 2006	BONNEVILLE PO\	1972	2017	3,980	3,980	7.290%	No	No	3,980
FY 2006	BONNEVILLE PO\	1972	2017	2,873	1,297	7.290%	Yes	No	1,297
Subtotal		-	-	\$198,026	\$196,450	-	Yes	No	\$182,008
FY 2007	BONNEVILLE PO\	1962	2007	19,597	19,597	6.980%	No	No	19,597
FY 2007	BONNEVILLE PO\	1962	2007	4,877	4,877	6.980%	Yes	No	4,877
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
FY 2007	BONNEVILLE PO\	1972	2017	29,326	14,442	7.290%	No	No	1,715
Subtotal		-	-	\$206,500	\$191,616	-	Yes	No	\$178,889
FY 2008	BONNEVILLE PO\	1963	2008	4,876	4,876	7.020%	No	No	4,876
FY 2008	BONNEVILLE PO\	1963	2008	4,330	4,330	7.020%	Yes	No	4,330
FY 2008	BONNEVILLE PO\	1963	2008	904	904	7.020%	No	No	904
FY 2008	BONNEVILLE PO\	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 PO\	1972	2017	29,326	12,727	7.290%	No	No	12,727
FY 2008	BONNEVILLE PO\	1973	2018	10,491	10,491	7.280%	Yes	No	5,621
Subtotal		-	-	\$187,849	\$171,250	-	Yes	No	\$166,381
FY 2009	BONNEVILLE PO\	1964	2009	4,151	4,151	7.060%	No	No	4,151
FY 2009	BONNEVILLE PO\	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 PO\	1970	2015	24,412	23,551	7.270%	No	No	414
FY 2009	BONNEVILLE PO\	1973	2018	33,788	33,788	7.280%	No	No	33,788
FY 2009	BONNEVILLE PO\	1973	2018	21,656	21,656	7.280%	Yes	No	21,656
FY 2009	BONNEVILLE PO\	1973	2018	16,368	16,368	7.280%	No	No	16,368
FY 2009	BONNEVILLE PO\	1973	2018	10,491	4,870	7.280%	Yes	No	4,870
Subtotal		-	-	\$189,304	\$182,822	-	Yes	No	\$159,684

FY 2010	BONNEVILLE POI	1965	2010	3,706	3,706	7.090%	No	No	3,706
FY 2010	BONNEVILLE POI	1965	2010	7,248	7,248	7.090%	Yes	No	7,248
FY 2010	BONNEVILLE POI	1965	2010	5,202	5,202	7.090%	No	No	5,202
FY 2010	BONNEVILLE POI	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 POI	1970	2015	64,977	64,977	7.270%	No	No	21,676
FY 2010	BONNEVILLE POI	1970	2015	7,995	7,995	7.270%	Yes	No	7,995
FY 2010	BONNEVILLE POI	1970	2015	24,412	23,137	7.270%	No	No	23,137
Subtotal		-	-	\$213,643	\$212,368	-	Yes	No	\$169,068
FY 2011	BONNEVILLE POI	1966	2011	11,830	11,830	7.130%	No	No	11,830
FY 2011	BONNEVILLE POI	1966	2011	3,049	3,049	7.130%	Yes	No	3,049
FY 2011	BONNEVILLE POI	1966	2011	6,647	6,647	7.130%	No	No	6,647
FY 2011	BONNEVILLE POI	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 POI	1970	2015	64,977	43,301	7.270%	No	No	32,425
Subtotal		-	-	\$203,217	\$181,541	-	Yes	No	\$170,665
FY 2012	BONNEVILLE POI	1967	2012	19,003	19,003	7.160%	No	No	19,003
FY 2012	BONNEVILLE POI	1967	2012	4,566	2,454	7.160%	Yes	No	2,454
FY 2012	BONNEVILLE POI	1970	2015	64,977	10,876	7.270%	No	No	10,876
FY 2012	BONNEVILLE POI	1974	2019	12,079	12,079	7.270%	No	No	12,079
FY 2012	BONNEVILLE POI	1974	2019	20,984	20,984	7.270%	Yes	No	20,984
FY 2012	BONNEVILLE POI	1974	2019	12,563	12,563	7.270%	No	No	12,563
FY 2012	BONNEVILLE POI	1974	2019	21,826	21,826	7.270%	Yes	No	21,826
FY 2012	BONNEVILLE POI	1975	2020	21,916	21,916	7.250%	Yes	No	16,346
FY 2012	BONNEVILLE POI	1975	2020	17,158	17,158	7.250%	No	No	17,158
FY 2012	BONNEVILLE POI	1975	2020	11,742	11,742	7.250%	Yes	No	11,742
Subtotal		-	-	\$206,814	\$150,601	-	Yes	No	\$145,030
FY 2013	BONNEVILLE POI	1968	2013	41,070	18,250	7.200%	No	No	18,250
FY 2013	BONNEVILLE POI	1969	2014	42,237	19,198	7.230%	No	No	14,282
FY 2013	BONNEVILLE POI	1975	2020	32,026	32,026	7.250%	No	No	32,026
FY 2013	BONNEVILLE POI	1975	2020	21,916	5,570	7.250%	Yes	No	5,570
Subtotal		-	-	\$137,249	\$75,044	-	Yes	No	\$70,128
FY 2014	BONNEVILLE POI	1969	2014	42,237	4,916	7.230%	No	No	4,916
FY 2014	BPA PROGRAM	1999	2014	59,050	59,050	5.900%	No	No	59,050
FY 2014	BONNEVILLE POI	1976	2021	61,025	61,025	7.230%	No	No	14,737
FY 2014	BONNEVILLE POI	1976	2021	2,212	2,212	7.230%	Yes	No	2,212
Subtotal		-	-	\$164,524	\$127,203	-	Yes	No	\$80,916
FY 2015	BONNEVILLE POI	1970	2015	64,977	-0	7.270%	No	No	-0
FY 2015	BONNEVILLE POI	1970	2015	24,412	-0	7.270%	No	No	-0
FY 2015	BONNEVILLE POI	1976	2021	61,025	46,288	7.230%	No	No	46,288
FY 2015	BONNEVILLE POI	1977	2022	3,948	3,948	7.210%	No	No	522
FY 2015	BONNEVILLE POI	1977	2022	5,380	5,380	7.210%	Yes	No	5,380
FY 2015	BONNEVILLE POI	1977	2022	33,702	33,702	7.210%	No	No	33,702
FY 2015	BONNEVILLE POI	1977	2022	4,981	4,981	7.210%	Yes	No	4,981
Subtotal		-	-	\$198,425	\$94,299	-	Yes	No	\$90,873
FY 2016	BONNEVILLE POI	1977	2022	3,948	3,426	7.210%	No	No	3,426
FY 2016	BPA PROGRAM	2008	2043	125,044	125,044	7.100%	Yes	No	98,465
Subtotal		-	-	\$128,992	\$128,470	-	Yes	No	\$101,891
FY 2017	BONNEVILLE POI	1972	2017	29,326	-0	7.290%	No	No	-0
FY 2017	BPA PROGRAM	2008	2043	125,044	26,579	7.100%	Yes	No	26,579
FY 2017	BPA PROGRAM	2009	2044	129,009	129,009	7.100%	Yes	No	63,283
Subtotal		-	-	\$283,379	\$155,588	-	Yes	No	\$89,862

FY 2018	BPA PROGRAM	2009	2044	129,009	65,726	7.100%	Yes	No	65,726
FY 2018	BPA PROGRAM	2010	2045	132,886	132,886	7.100%	Yes	No	19,530
Subtotal		-	-	\$261,895	\$198,612	-	Yes	No	\$85,256
FY 2019	BPA PROGRAM	2004	2019	65,000	65,000	6.640%	No	Yes	65,000
FY 2019	BPA PROGRAM	2010	2045	132,886	113,356	7.100%	Yes	No	97,439
Subtotal		-	-	\$197,886	\$178,356	-	Yes	Yes	\$162,439
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	BPA PROGRAM	2010	2045	132,886	15,917	7.100%	Yes	No	15,917
FY 2020	BPA PROGRAM	2011	2046	136,618	136,618	7.100%	Yes	No	7,798
Subtotal		-	-	\$411,423	\$294,454	-	Yes	Yes	\$165,634
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	4,670	6.050%	No	No	4,670
FY 2021	BPA PROGRAM	2011	2046	136,618	128,820	7.100%	Yes	No	9,300
Subtotal		-	-	\$292,542	\$284,744	-	Yes	Yes	\$165,224
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	2011	2046	136,618	119,520	7.100%	Yes	No	56,722
Subtotal		-	-	\$241,454	\$224,356	-	Yes	Yes	\$161,558
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	2011	2046	136,618	62,798	7.100%	Yes	No	26,454
Subtotal		-	-	\$271,618	\$197,798	-	Yes	Yes	\$161,454
FY 2024	BPA PROGRAM	2002	2024	108,010	108,010	6.830%	No	Yes	108,010
FY 2024	BPA PROGRAM	2011	2046	136,618	36,344	7.100%	Yes	No	36,344
FY 2024	BPA PROGRAM	2012	2047	140,354	140,354	7.100%	Yes	No	14,151
Subtotal		-	-	\$384,982	\$284,708	-	Yes	Yes	\$158,505
FY 2025	BPA PROGRAM	2012	2047	140,354	126,203	7.100%	Yes	No	126,203
FY 2025	BPA PROGRAM	2013	2048	144,215	144,215	7.100%	Yes	No	25,544
Subtotal		-	-	\$284,569	\$270,418	-	Yes	No	\$151,747
FY 2026	BPA PROGRAM	2013	2048	144,215	118,671	7.100%	Yes	No	118,671
FY 2026	BPA PROGRAM	2014	2049	148,247	148,247	7.100%	Yes	No	30,573
Subtotal		-	-	\$292,462	\$266,918	-	Yes	No	\$149,244
FY 2027	BPA PROGRAM	1998	2028	50,000	50,000	6.650%	No	No	12,636
FY 2027	BPA PROGRAM	2014	2049	148,247	117,674	7.100%	Yes	No	117,674
FY 2027	BPA PROGRAM	2015	2050	152,293	152,293	7.100%	Yes	No	16,638
Subtotal		-	-	\$350,540	\$319,967	-	Yes	No	\$146,948
FY 2028	BPA PROGRAM	1998	2028	50,000	37,364	6.650%	No	No	37,364
FY 2028	BPA PROGRAM	1998	2028	112,300	112,300	5.850%	No	No	112,300
Subtotal		-	-	\$162,300	\$149,664	-	No	No	\$149,664
FY 2029	BPA PROGRAM	2015	2050	152,293	135,655	7.100%	Yes	No	135,655
FY 2029	BPA PROGRAM	2016	2051	156,334	156,334	7.100%	Yes	No	760
Subtotal		-	-	\$308,627	\$291,989	-	Yes	No	\$136,415
FY 2030	BPA PROGRAM	2007	2042	274,718	274,718	6.900%	No	No	5,428
FY 2030	BPA PROGRAM	2016	2051	156,334	155,574	7.100%	Yes	No	126,994
Subtotal		-	-	\$431,052	\$430,292	-	Yes	No	\$132,422
FY 2031	BPA PROGRAM	1998	2031	106,600	106,600	8.290%	No	Yes	106,600
FY 2031	BPA PROGRAM	2007	2042	274,718	269,290	6.900%	No	No	26,142
Subtotal		-	-	\$381,318	\$375,890	-	No	Yes	\$132,742

FY 2032	BPA PROGRAM	1998	2032	98,900	98,900	6.700%	No	No	98,900
FY 2032	BPA PROGRAM	2004	2034	40,000	40,000	5.600%	No	No	67
FY 2032	BPA PROGRAM	2007	2042	274,718	243,149	6.900%	No	No	30,284
Subtotal		-	-	\$413,618	\$382,049	-	No	No	\$129,251
FY 2033	BPA PROGRAM	2003	2033	40,000	40,000	5.550%	No	No	40,000
FY 2033	BPA PROGRAM	2004	2034	40,000	39,933	5.600%	No	No	39,933
FY 2033	BPA PROGRAM	2007	2042	274,718	212,865	6.900%	No	No	14,362
Subtotal		-	-	\$354,718	\$292,797	-	No	No	\$94,295
FY 2034	BPA PROGRAM	2007	2042	274,718	198,503	6.900%	No	No	27,513
Subtotal		-	-	\$274,718	\$198,503	-	No	No	\$27,513
FY 2035	BPA PROGRAM	2007	2042	274,718	170,990	6.900%	No	No	108,437
Subtotal		-	-	\$274,718	\$170,990	-	No	No	\$108,437
FY 2036	BPA PROGRAM	2006	2041	263,828	263,828	6.820%	No	No	89,215
FY 2036	BPA PROGRAM	2007	2042	274,718	62,553	6.900%	No	No	12,977
Subtotal		-	-	\$538,546	\$326,381	-	No	No	\$102,193
FY 2037	BPA PROGRAM	2006	2041	263,828	174,613	6.820%	No	No	95,264
Subtotal		-	-	\$263,828	\$174,613	-	No	No	\$95,264
FY 2038	BPA PROGRAM	2005	2040	217,215	217,215	5.630%	No	No	68,226
FY 2038	BPA PROGRAM	2006	2041	263,828	79,349	6.820%	No	No	19,774
Subtotal		-	-	\$481,043	\$296,564	-	No	No	\$88,000
FY 2039	BPA PROGRAM	2005	2040	217,215	148,989	5.630%	No	No	79,256
Subtotal		-	-	\$217,215	\$148,989	-	No	No	\$79,256
FY 2040	BPA PROGRAM	2005	2040	217,215	69,733	5.630%	No	No	69,733
Subtotal		-	-	\$217,215	\$69,733	-	No	No	\$69,733
FY 2041	BPA PROGRAM	2006	2041	263,828	59,575	6.820%	No	No	59,575
Subtotal		-	-	\$263,828	\$59,575	-	No	No	\$59,575
FY 2042	BPA PROGRAM	2007	2042	274,718	49,576	6.900%	No	No	49,576
Subtotal		-	-	\$274,718	\$49,576	-	No	No	\$49,576
Grand Total		-	-	\$10,324,726	\$7,961,487	-	Yes	Yes	\$4,722,738

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](http://www.transmission.bpa.gov/Business/Customer%20Forums%20and%20Feedback/Programs%20in%20Review/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

Appendix 1 – PIR Issues, Details and Explanation

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 requested¹ 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/Customr_Forumr_and_Feedback/Programr_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.

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, 2004⁵ 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/Customers/Forums_and_Feedback/Programs_in_Review/pir2004_info.cfm?page=workshop§=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.

Information Technology Consolidation

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_Forum_and_Feedback/Programs_in_Review/pir2004_info.cf?m?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 costs⁷ 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](http://www.transmission.bpa.gov/Business/Customer%20Forums%20and%20Feedback/Programs%20in%20Review/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 <i>Note <1</i>	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 <i>Note <2, <5</i>	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 <i>Note <3</i>	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 <i>Note <4</i>	761	760	(1)
Contract Management	2,007	2,007	0
Transmission Billing <i>Note <4</i>	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 <i>Note <2, <5</i>	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

2004 Programs In Review - Comparison of FY06-07 Expense Initial vs. Final

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	3,390	(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
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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 23, 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	49,513
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}	9,844	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		
Auxiliary 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	25,713	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 of 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-Wantoma 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	84,481	77,475	86,511	83,218
Transmission Engineering Note <5	10,533	19,893	10,768	9,089
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	137,823	176,389	141,537
Total Expenses	711,880	656,261	739,213	667,554
Net Revenues (Expenses) from Continuing Operations	12,136	(12,302)	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, Transmission 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
(S in Thousands)**

Capital Program	Averages Across FY06-07		
	PIR Initial <i><Note 1</i>	PIR Proposal <i><Note 2</i>	Delta
Main Grid <i><Note 3</i>	55,680	52,019	(3,661)
Area and Customer Service <i><Note 4</i>	16,305	17,318	1,013
Upgrades and Additions <i><Note 5</i>	43,658	42,852	(806)
System Replacements <i><Note 6</i>	75,080	52,060	(23,020)
Environment <i><Note 7</i>	5,309	4,753	(557)
IT Development	10,619	10,619	0
All Other Capital <i><Note 8</i>	3,380	3,298	(83)
Sub Total TBL Capital	210,031	182,918	(27,113)
Indirects <i><Note 9</i>	80,005	73,812	(6,193)
Total TBL Capital Requiring Treasury Borrowing Authority	290,036	256,730	(33,306)
Non-Treasury Financed <i><Note 10</i>	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 Environment 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
(S 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-Dampers	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	53,507
Environmental Projects			
Pollution, Prevention and Abatement	On Going	4,669	4,836
Sub-Total Environment		4,669	4,836

2004 Programs In Review - Capital Program Levels FY06-07

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
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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
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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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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: 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 3>	FY05 Forecast <Note 3>
Main Grid	148,838	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	11,573
All Other Capital	(2,163)	51	(2,143)	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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