



Workshop  
February 25, 2003

# What Happened Since Financial Choices That Led to a Projected Net Revenue Loss of about \$900M for FY02-06?

BPA Power Net Revenues  
Very Rough Estimates

Line		Dollars in Millions	
1	FY02-06 Net Revenue Gap (from August 2002 with FY02 Actuals)		(\$1,200)
2	1. <i>Actions Already Taken To Reduce Overall Rates</i> (e.g., <i>Expense Reductions, Expense Deferrals &amp; Cash Increases</i> )	\$350	+
3	2. <i>Additional Revenue if FY04-06 Rates Kept at FY02 Level</i> (Estimated)		+
4	New Net Revenue Gap - FY02-06		= (\$350)
	<b><u>Additional Actions that Reduce Overall Rates &amp; Close the Gap</u></b>	<b><u>Additional Potential Cost Reductions - PBL</u></b>	<b><u>Achieved or Close</u></b>
5	Settlement of Litigation over IOU Residential Benefits	\$200	+
6	More Cost Effective Fish Recovery Program (\$160M total)	\$80	+
7	Additional Power Resource O&M Cost Reduction	\$50	+
8	Power Resource Contract Renegotiation	\$30	+
9	Additional Overall Debt Service Reduction	\$140	+
10	Subtotal	\$500	=
11	New Net Revenue Gap - FY02-06		= (\$270)
12	Additional Losses in FY03 Due to Reduced Hydro Supply & Other Changes (Estimated)		+
			<b><u>Expected FY03 Hydro Conditions</u></b>
			(\$200)
			<b><u>Changes to FY02-06 Revenue Forecast</u></b>
13	Changes in 4(h)(10)(C) and FCCF Fish Credits (Estimated)		+
	Reduction in Hydro Supply in FY04 Due to Below-Average Hydro Conditions in FY03		
	Reduction in Secondary Revenue Forecast for FY04-06, and		
14	Other Changes (Estimated)		+
			\$100
15	New Net Revenue Gap - FY02-06		= (\$550)
			= (\$920)

Expense Reductions, Expense Deferrals & Cash Increases

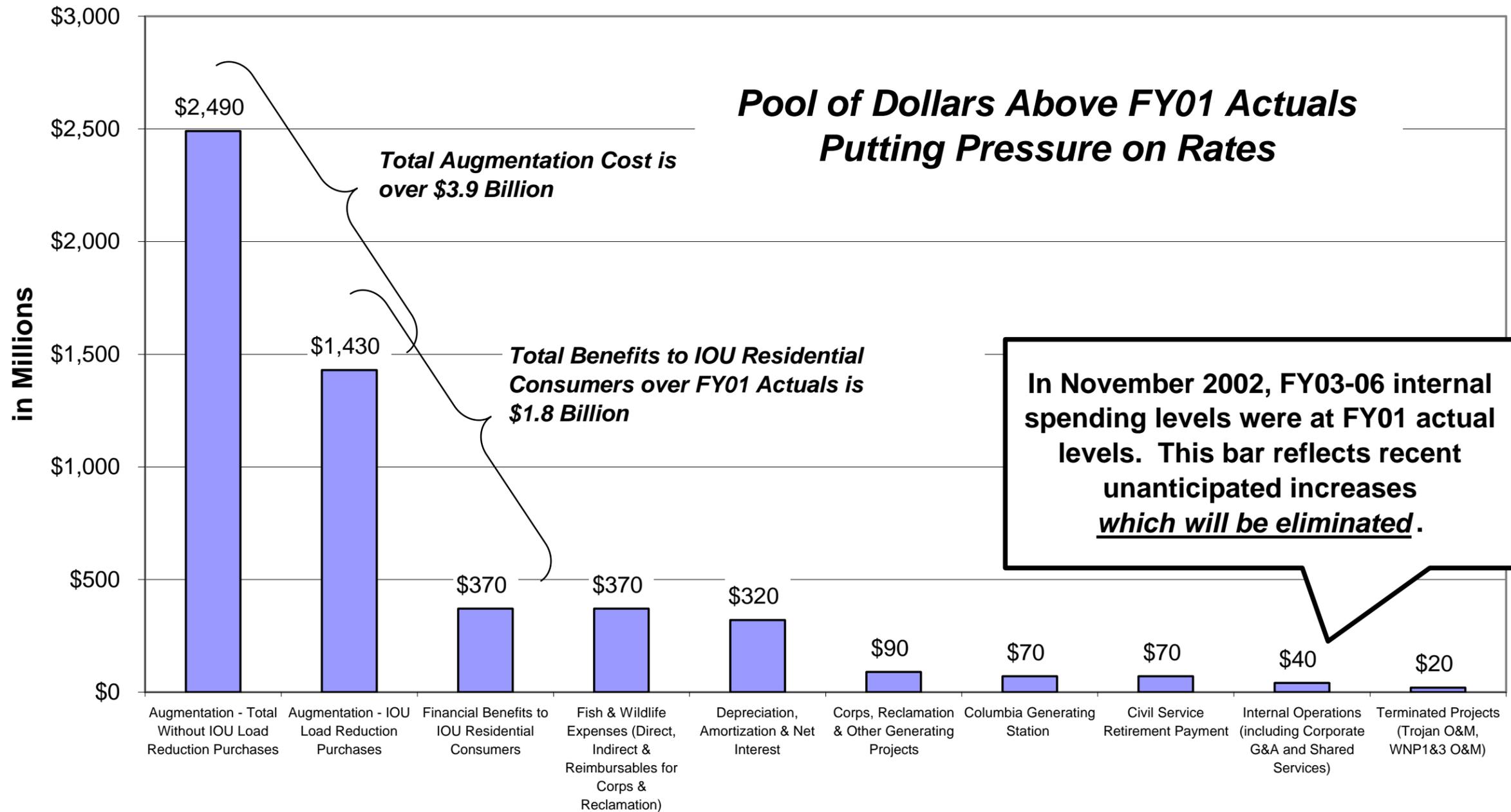
Expense Reductions & Deferrals Only

We embedded \$80M in our analysis already - we have a goal of another \$80M left to secure per Steve Wright's letter



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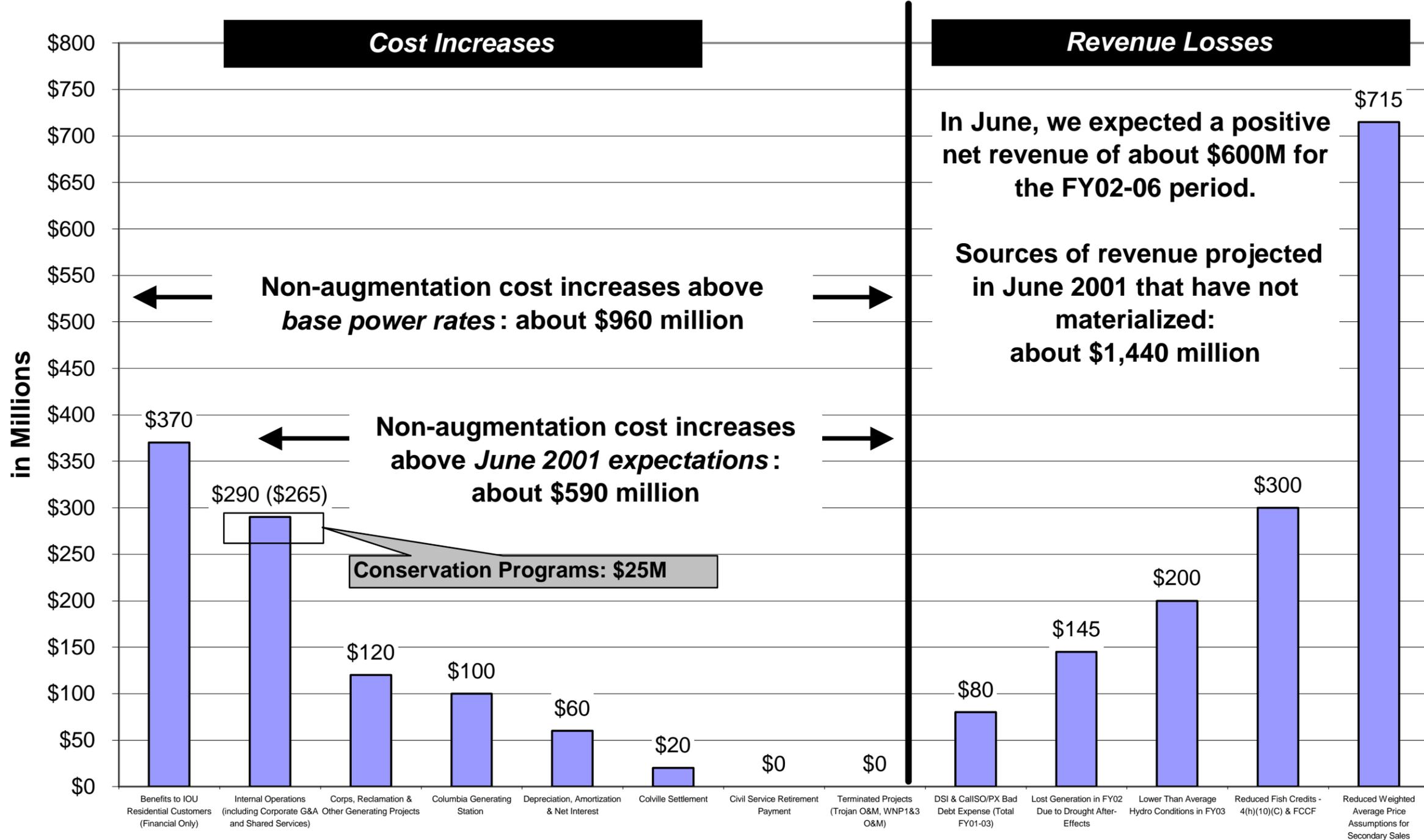
**Graph 1**  
**Why are Rates Higher Today than Over the Last Rate Period?**  
**Total Pressure: About \$5.3 Billion**  
**5 Year Totals**





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## Graph 2 Why is the PBL Losing Money? Current Projections Compared to June 2001 Expectations - 5 Year Totals





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## Notes Pages

### Internal Operations Includes:

- Shared Services
- Corporate G&A
- PBL Efficiencies Program
- Information Technology
- Generation Project Coordination
- Operations Scheduling
- Operations Planning
- Slice Implementation
- Sales & Support
- Public Communication & Tribal Liaison
- Strategy, Finance & Risk Management
- Human Resource Management
- Conservation-related:
  - *Conservation Support*
  - *Energy Efficiency Development*
  - *Energy Web*
  - *Legacy Conservation & Low Income Weatherization*
  - *Market Transformation*
  - *Sponsored Energy Initiatives (Technology)*

### Calculations for Revenue Losses:

- Lost Generation in FY02 Due to Drought After-Effects:
  - Quantity: about 600 aMW
  - Rough Price Estimate Based on FY02 Actual Committed Sales: \$27.5/MWh
  - Impact: about \$145M
- Lower Than Average Hydro Conditions in FY03:
  - Quantity: about 800 aMW (could be more!)
  - Rough Price Estimate: \$29/MWh
  - Impact: about \$200M
- Reduced Weighted Average Price Projections for Net Secondary Sales for FY02-06, Current Projections Compared to June 2001 Projections
  - Quantity: 1720 aMW – the PBL's Net Average Remaining System Output after Slice Projected in June 2001
  - Rough Price Estimate Current Projections Compared to June 2001 Projections: \$ -9.5/MWh
  - Impact: about \$715M



**Calculations for Expense Increases:**

**Graph 1:**

- Basic calculation: (Current average annual expense levels for FY02-06) - (FY01 actual expense level) \* 5
- Fish and wildlife programs held in the Corps, Reclamation, Planning Council & US Fish & Wildlife budgets were removed and placed in the Fish and Wildlife category along with \$18M/year in incremental lost revenue from changes in hydro operations
- CGS: (Current average annual expense levels for FY03-06) - (FY00-01 average actual expense level) \* 5 to account for equal number of outage/non-outage years
- Certain programs reflect offsetting revenues resulting from increases in expenses.

**Graph 2:**

- Basic calculation: (Rate Case average annual expense levels for FY02-06) – (Current average annual expense levels for FY02-06) \* 5
- CGS: (Rate Case average annual expense levels for FY03-06) – (Current average annual expense levels for FY03-06) \* 5 due to the change to a 2 year refueling cycle
- DSI & CallSO/PX Bad Debt Expense = FY01-FY03 total amount
- Fish and wildlife programs held in the Corps & Reclamation budgets were not removed for either the current or rate case projections
- In certain rate case expense categories, the risk of achieving these levels were contemplated through the non-operating risk model and are reduced by that amount in this graph.
- Certain programs reflect offsetting revenues resulting from increases in expenses.

**Fish Credits (\$ in Millions)**

4(h)(10)(C)						
	May 2000	June 2001	Trigger Study FY2003	June 2001 v May 2000	Trigger v May 2000	Trigger v June 2001
FY 2002	\$ 88	\$ 215	\$ 38	\$ 127	\$ (50)	\$ (176)
FY 2003	\$ 91	\$ 121	\$ 124	\$ 30	\$ 33	\$ 3
FY 2004	\$ 91	\$ 103	\$ 67	\$ 12	\$ (24)	\$ (36)
FY 2005	\$ 93	\$ 106	\$ 67	\$ 13	\$ (26)	\$ (39)
FY 2006	\$ 95	\$ 108	\$ 67	\$ 13	\$ (28)	\$ (41)
Total	\$ 458	\$ 653	\$ 363	\$ 195	\$ (95)	\$ (290)

FCCF						
	May 2000	June 2001	Trigger Study FY2003	June 2001 v May 2000	Trigger v May 2000	Trigger v June 2001
FY 2002	\$ 51	\$ 30	\$ -	\$ (21)	\$ (51)	\$ (30)
FY 2003	\$ 33	\$ 24	\$ 69	\$ (9)	\$ 36	\$ 45
FY 2004	\$ 23	\$ 16	\$ 3	\$ (7)	\$ (20)	\$ (13)
FY 2005	\$ 16	\$ 10	\$ 2	\$ (6)	\$ (15)	\$ (9)
FY 2006	\$ 7	\$ 5	\$ 1	\$ (2)	\$ (6)	\$ (4)
Total	\$ 130	\$ 85	\$ 74	\$ (45)	\$ (56)	\$ (11)

Total Fish Credits						
	May 2000	June 2001	Trigger Study FY2003	June 2001 v May 2000	Trigger v May 2000	Trigger v June 2001
FY 2002	\$ 140	\$ 245	\$ 38	\$ 106	\$ (101)	\$ (207)
FY 2003	\$ 124	\$ 145	\$ 193	\$ 21	\$ 69	\$ 48
FY 2004	\$ 113	\$ 119	\$ 70	\$ 6	\$ (44)	\$ (49)
FY 2005	\$ 109	\$ 116	\$ 68	\$ 7	\$ (41)	\$ (48)
FY 2006	\$ 102	\$ 113	\$ 68	\$ 11	\$ (34)	\$ (45)
Total	\$ 588	\$ 738	\$ 437	\$ 150	\$ (151)	\$ (301)