FY 2012-13
Transmission Rate Case
Revenue Requirement

Assumptions

- Program spending levels are consistent with data presented in Integrated Program Review (IPR) workshops.
- Generation input costs are a placeholder and will be revised for the Initial Proposal.
- Net interest and amortization are consistent with the debt management workshops.
- BPA proposes to use $15 million per year of reserves for capital investments which is consistent with the last two rate cases.
- Changes to be expected in the Initial Proposal
  - Updates for final IPR decisions
  - Updates for actual FY 2010 results, e.g., actual capital borrowing, actual ending reserves
  - Adjustments to ensure consistency with other forecasts and studies, such as updates to Large Generation Interconnection Agreement (LGIA) credits and generation input costs

Income Statement

($thousands)

		A FY 2012	B FY 2013	C Average	D TR-10 Final	E Difference
1	OPERATING EXPENSES					
2	TRANSMISSION OPERATIONS	137,348	140,956	139,152	118,584	20,568
3	TRANSMISSION MAINTENANCE	150,425	154,468	152,447	129,826	22,620
4	TRANSMISSION ENGINEERING	34,522	35,579	35,051	23,607	11,443
5	TRANSMISSION ACQ & ANCILLARY SERVICES	132,171	152,580	142,376	109,875	32,501
6	BPA INTERNAL SUPPORT	72,973	74,382	73,678	65,514	8,163
7	OTHER INCOME, EXPENSES & ADJUSTMENTS				(20,000)	20,000
8	DEPRECIATION & AMORTIZATION	205,469	224,398	214,934	195,619	19,315
9	TOTAL OPERATING EXPENSES	732,908	782,363	757,636	623,025	134,610
10	INTEREST EXPENSE					
11	INTEREST EXPENSE					
12	FEDERAL APPROPRIATIONS	23,087	11,115	17,101	30,259	(13,158)
13	CAPITALIZATION ADJUSTMENT	(18,968)	(18,968)	(18,968)	(18,968)	0
14	ON LONG-TERM DEBT	120,253	158,699	139,476	101,660	37,816
15	AMORTIZATION OF CAPITALIZED BOND PREMIUMS	561	561	561	725	(164)
16	DEBT SERVICE REASSIGNMENT INTEREST	56,773	54,868	55,821	56,781	(960)
17	NON-FEDERAL INTEREST	50,442	57,516	53,979	36,846	17,133
18	AFUDC	(36,883)	(41,442)	(39,162)	(19,574)	(19,588)
19	INTEREST INCOME	(20,658)	(20,579)	(20,619)	(23,840)	3,221
20	NET INTEREST EXPENSE	174,607	201,769	188,188	163,888	24,300
21	TOTAL EXPENSES	907,515	984,132	945,824	786,913	158,910
22	MINIMUM REQUIRED NET REVENUES 1/	70,026	55,256	62,641	75,079	(12,438)
23	PLANNED NET REVENUES FOR RISK	0	0	0	0	0
24	TOTAL PLANNED NET REVENUES	70,026	55,256	62,641	75,079	(12,438)
25	**TOTAL REVENUE REQUIREMENT**	**977,541**	**1,039,388**	**1,008,464**	**861,992**	**146,472**

1/ SEE NOTE ON CASH FLOW TABLE.

Statement of Cash Flows

($thousands)

		A FY 2012	B FY 2013	C Average	D TR-10 Final	E Difference
1	CASH FROM CURRENT OPERATIONS:					
2	MINIMUM REQUIRED NET REVENUES 1/	70,026	55,256	62,641	75,079	(12,438)
3	EXPENSES NOT REQUIRING CASH:					
4	DEPRECIATION & AMORTIZATION	205,469	224,398	214,934	195,619	19,315
5	TRANSMISSION CREDIT PROJECTS NET INTEREST	20,000	27,082	23,541	11,877	11,664
6	AMORTIZATION OF CAPITALIZED BOND PREMIUMS	561	561	561	725	(164)
7	CAPITALIZATION ADJUSTMENT	(18,968)	(18,968)	(18,968)	(18,968)	0
8	DRAWDOWN OF CASH RESERVES FOR CAPITAL FUNDING	15,000	15,000	15,000	15,000	0
9	ACCRUAL REVENUES (LGIA/AC INTERTIE/FIBER)	(45,789)	(52,532)	(49,161)	(44,317)	(4,844)
10	CASH PROVIDED BY CURRENT OPERATIONS	246,299	250,797	248,548	235,014	13,534
11	CASH USED FOR CAPITAL INVESTMENTS:					
12	INVESTMENT IN:					
13	UTILITY PLANT	(584,403)	(632,808)	(608,606)	(449,266)	(159,339)
14	CASH USED FOR CAPITAL INVESTMENTS	(584,403)	(632,808)	(608,606)	(449,266)	(159,339)
15	CASH FROM TREASURY BORROWING AND APPROPRIATIONS:					
16	INCREASE IN LONG-TERM DEBT	569,403	617,808	593,606	434,266	159,339
17	DEBT SERVICE REASSIGNMENT PRINCIPAL	(41,118)	(165,628)	(103,373)	(83)	(103,290)
18	REPAYMENT OF LONG-TERM DEBT	(25,000)	0	(12,500)	(120,126)	107,626
19	REPAYMENT OF CAPITAL APPROPRIATIONS	(165,181)	(70,169)	(117,675)	(99,806)	(17,869)
20	CASH FROM TREASURY BORROWING AND APPROPRIATIONS	338,104	382,011	360,058	214,252	145,806
21	ANNUAL INCREASE (DECREASE) IN CASH	0	0	0	0	0
22	PLANNED NET REVENUES FOR RISK	0	0	0	0	0
23	TOTAL ANNUAL INCREASE (DECREASE) IN CASH	0	0	0	0	0

1/ Line 21 must be greater than or equal to zero, otherwise net revenues will be added so that there are no negative cash flows for the year.

Segmented Revenue Requirement

($thousands)

	A	B	C	D	E	F	G	H
		Generation		Southern	Eastern	Utility	DSI	Ancillary
FY 2012	**TOTAL**	**Integration**	**NETWORK**	**Intertie**	**Intertie**	**Delivery**	**Delivery**	**Services**
1 Operations & Maintenance	395,268	4,149	258,811	35,781	2,546	3,723	1,445	88,813
2 Transmission Acquisition & Ancillary Services	132,173	63	17,369	1,933	18	444	30	112,316
3 Depreciation	205,470	2,414	155,309	23,198	3,065	1,280	633	19,571
4 Net Interest Expense	174,607	1,979	136,346	15,625	2,535	707	415	17,000
5 Planned Net Revenues	70,025	739	49,917	11,653	947	264	155	6,350
6 Total Transmission Revenue Requirement	977,543	9,344	617,752	88,190	9,111	6,418	2,678	244,050
FY 2013								
7 Operations & Maintenance	405,387	4,252	265,655	36,652	2,609	3,815	1,481	90,923
8 Transmission Acquisition & Ancillary Services	152,581	63	17,124	1,933	18	762	30	132,651
9 Depreciation	224,400	2,613	171,832	24,366	3,120	1,373	664	20,432
10 Net Interest Expense	201,768	2,088	162,719	15,754	2,387	690	393	17,737
11 Planned Net Revenues	55,255	569	38,356	10,552	650	188	107	4,833
12 Total Transmission Revenue Requirement	1,039,391	9,585	655,686	89,257	8,784	6,828	2,675	266,576

LGIA Credits and Expenses

- The revenue credits that customers receive in return for the funding of Network upgrades currently serve as a net cost for other transmission customers.
- These accrual revenues provide no cash for cost recovery. However, they are offset to a certain extent by the associated costs of these transactions, which are part of the revenue requirement. These costs are also non-cash elements.
- Plant investment associated with the Network upgrades is depreciated like all other plant, adding to depreciation expense.
- Interest on the outstanding LGIA deposits is part of non-Federal interest component of net interest expense.
- On the revenue requirement's cash flow statement, these expenses are netted against the revenues as part of the Minimum Required Net Revenues (MRNR) calculation. MRNR is the amount that cash requirements (bond and appropriation repayment) exceed non-cash elements in the revenue requirement.
- To the extent that LGIA revenues exceed associated expenses, it creates additional costs to be recovered through rates because the credit is based on rates for service that must provide cash cost recovery.