

BPA's Strategic Direction

with Key Agency Targets for Fiscal Year 2007

Targets strengthen the "four pillars"

BPA's mission, vision and core values drive our long-term strategic objectives. We measure our progress toward achieving our strategic objectives through key agency targets and related business unit balanced scorecard targets. These targets also link to the performance contracts of our vice presidents in order to further focus and align our group and individual efforts.

BPA's MISSION

The Bonneville Power Administration's mission as a public service organization is to create and deliver the best value for our customers and constituents as we act in concert with others to assure the Pacific Northwest:

- An adequate, efficient, economical and reliable power supply;
- Transmission system that is adequate to the task of integrating and transmitting power from federal and nonfederal generating units, providing service to BPA's customers, providing interregional interconnections, and maintaining electrical reliability and stability; and
- Mitigation of the Federal Columbia River Power System's impacts on fish and wildlife.

BPA is committed to cost-based rates and public and regional preference in its marketing of power. BPA will set its rates as low as possible consistent with sound business principles and the full recovery of all of its costs, including timely repayment of the federal investment in the system.

BPA's VALUES

Trustworthy stewardship: As stewards of the FCRPS, we are entrusted with the responsibility to manage resources of great value for the benefit of others. We are trusted when others believe in and are willing to rely upon our integrity and ability.

Collaborative relationships: Trustworthiness grows out of a collaborative approach to relationships. Internally we must collaborate across organizational lines to maximize the value we bring to the region. Externally we work with many stakeholders who have conflicting needs and interests. Through collaboration we discover and implement the best possible long-term solutions.

Operational excellence: Operational excellence is a cornerstone of delivering on the four pillars of our strategic objectives (system reliability, low rates, environmental stewardship, regional accountability), and it will place us among the best electric utilities in the nation.

BPA's VISION

BPA will be an engine of the Northwest's economic prosperity and environmental sustainability. BPA's actions advance a Northwest power system that is a national leader in providing:

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

We deliver on these public responsibilities^{1/} through a commercially successful business.

^{1/} Our public responsibilities are defined by the four characteristics listed above.



Stakeholder perspective

System infrastructure

- **Transmission system** — Transmission capital work plans are managed such that (A) at least 90 percent of the projects rated 8 and at least 80 percent of the projects rated 6 and 7 are completed on schedule; (B) aggregate direct costs for at least five of the six targeted capital program budgets are within their respective aggregate budgets; and (C) eight or more of the ten most significant capital projects are delivered on time and within budget.
- **Commercial transmission decision framework** — By Dec. 31, complete development of an evaluation and decision-making framework for construction of new primarily commercial transmission facilities that addresses financing, contract value of anticipated future uses of facilities, future regional needs, risk assessment and public process. Test the framework using a transmission plan-of-service likely to have a high value to the region by March 31.
- **Transmission adequacy** — By March 31, Regional Transmission Adequacy Guidelines on Remedial Action Schemes and Load/Transfers are completed through the Northwest Power Pool's Transmission Adequacy Forum.
- **Hydro generation system** — Hydro generation is increased by 4.5 aMW through the hydro efficiencies program and is accomplished within budget.
- **Energy efficiency/demand management** — Deliver 47 to 57 aMW of new conservation from all of BPA's energy efficiency programs at a cost of \$1.5 million to \$1.4 million per aMW.
- **Resource adequacy** — BPA creates a plan to implement the regional Energy Adequacy and Pilot Capacity Adequacy Standards on a test basis, and, uses the results of the test to inform further refinement of the standards and to assist the PNW Resource Adequacy Forum in finalizing the Capacity Adequacy Standard by Sept. 30.

System performance

- **Transmission reliability** — Maintain the reliability of the transmission system by (1) complying with the Western Electricity Coordinating Council Reliability Management System or successor system, which includes the Control Performance Standard, including no more than two violations at Levels 1 and 2 combined and none at Levels 3 and 4; and (2) experiencing no involuntary curtailments of firm load due to transmission system

security breach or cascading outages originating on the BPA system.

- **Transmission availability** — BPA's most important transmission lines (Category 1 and 2) are available for service at least 98 percent of the time, and specific actions are implemented by Sept. 30 that will improve the availability of BPA's most important lines.
- **Generation reliability** — Maintain generation reliability by (1) complying with the Western Electricity Coordinating Council Reliability Management System or successor system for all Federal Columbia River Power System generators for power system stabilization and automatic voltage regulation, including no more than two violations at Levels 1 and 2 combined and none at Levels 3 and 4; and (2) experiencing no involuntary curtailments of firm load due to inadequate power supply or a breach of generation system security.
- **Generation availability** — Hydro generating units achieve 97.5 percent heavy load hour availability.

Industry advancement

- **Regional Dialogue implementation** — Publish Regional Dialogue record of decision by June 30 that provides clear policy direction for contract drafting and tiered rate proposal, and, ensure that all Regional Dialogue implementation steps are on track for completion in time to allow contract signature by Spring 2008 (includes 5(b)9(c) policy revision, contract drafting, Tier 2 and other product specifications, net requirement methodology, and transmission service availability).
- **Regional transmission coordination** — By the end of FY 2007, successful collaboration with ColumbiaGrid results in the addition of (1) three new participants; (2) two new members; (3) the implementation of a Planning and Expansion Functional Agreement, which helps establish ColumbiaGrid as an effective FERC-recognized regional transmission planning organization; and (4) the execution of a Reliability Functional Agreement, which begins to establish ColumbiaGrid as a provider of reliability-related services to the regional bulk power system.
- **Congestion management implementation** — Information, systems and procedures are in place by July 1 and are adequate to enable Transmission Services to manage congestion consistent with the Regional Congestion Management Steering Committee's FY 2006 recommendations to (1) limit nonfirm transactions and hourly firm transactions on constrained paths and (2) conduct a reliability redispatch pilot on four flowgates in quarter four of FY 2007.

- **Wind integration** — The Northwest Wind Integration Action Plan is completed by April 1 with significant regional buy-in, and BPA works with other regional participants to complete analysis of the transmission, power, and internal systems infrastructure requirements and ancillary service costs of integrating up to 5,000 MW of wind energy into the Federal Columbia River Power System.

Low-cost provider

- **Transmission rates** — FY 2008–2009 melded transmission rates filed with FERC reflect an average rate increase of no greater than 2 percent from FY 2006–2007 rates.

Environmental stewardship

- **ESA compliance long-term action plan** — Regional collaboration in the Remand provides an action agency commitment (i.e., a Proposed Action/Reasonable and Prudent Alternative/Biological Opinion) with long-term FCRPS operational stability that is based on:
 - ◆ A framework for providing implementation (funding) certainty for those actions that are the responsibility of BPA/FCRPS;
 - ◆ A sound administrative record that supports the federal legal Remand strategy (technical, biological, and policy analysis); and
 - ◆ Performance standards to measure progress on adequacy and effectiveness of implementation across “all Hs” (habitat, harvest, hatcheries and hydropower).

Regional accountability

- **Customer satisfaction** — Rating of 7.0-7.5
- **Constituent satisfaction** — Rating of 7.0-7.5
- **Tribal government satisfaction** — Rating of 6.0-6.5

Financial perspective

- **Modified net revenue** — MNR is in the range of \$50 million to \$150 million.
- **Treasury payment** — Treasury payment is made in full for the 24th consecutive year.
- **Debt optimization** — Planned debt optimization actions accomplish \$232 million of refinancing and \$289 million of early federal debt amortization.
- **Bond rating** — BPA backed bonds maintain ratings of “AA-” or better from all three rating agencies (S&P, Moody’s, and Fitch).

Internal operations perspective

- **Internal operating costs** — Actual internal operating costs are in the range of \$525 million to \$510 million.
- **Process improvement** — Seven or more of the nine ongoing efficiency implementations are on schedule to meet targeted milestones.

People and culture perspective

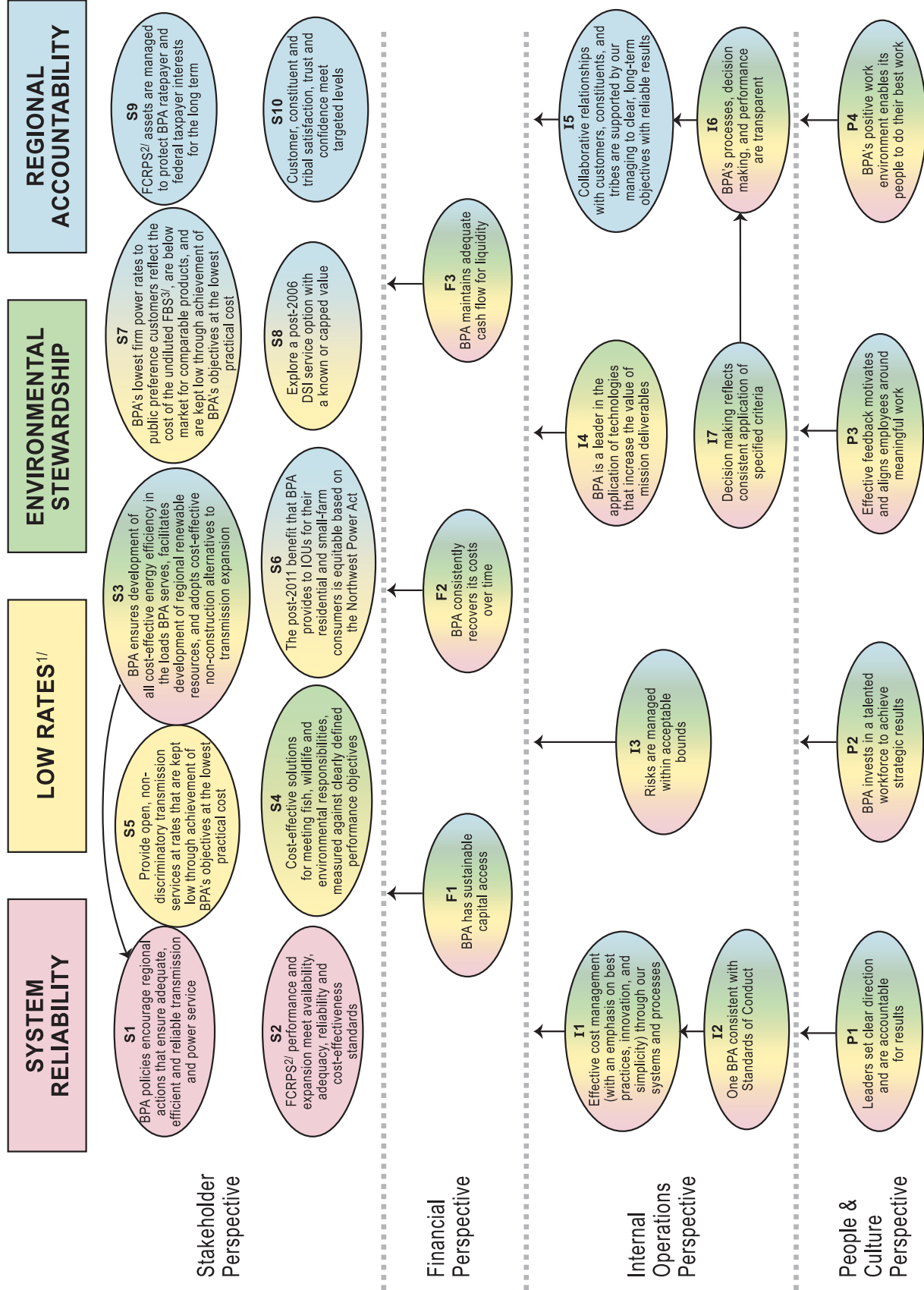
- **Workforce gap closure** — 80 percent or more of assigned agency workforce plan actions are implemented to effectively recruit, retain and develop critical skills and occupations.
- **Employee understanding of business strategy** — Employee understanding of business strategy is high (average of two questions is 70-80 percent).
- **Safety** — Lost-time accident frequency rate of 1.1 to 1.5 per 200,000 hours worked. No fatal injuries occur to BPA employees or contract employees working on BPA facilities.

Success Share TARGETS

For FY 2007, payout of BPA Success Share awards will be based on performance against the equally weighted targets below. Any payout will be contingent on achieving both the Treasury payment target and at least \$5 million in modified net revenue.

1. Transmission and generation reliability
2. Transmission system, hydro generation system, and energy efficiency/demand management
3. Regional Dialogue implementation
4. ESA compliance long-term action plan
5. Stakeholder satisfaction (Power, Transmission and EE customers; constituents; tribal governments)
6. Treasury payment and modified net revenue
7. Internal operating costs
8. Safety

Agency Strategy Map: 2007-2011



^{1/} Consistent with sound business principles, ^{2/} Federal Columbia River Power System (FCRPS): The transmission system constructed and operated by BPA and the hydroelectric dams constructed and operated by the U.S. Army Corps of Engineers and the Bureau of Reclamation in the Northwest. Each entity is separately managed and financed, but the facilities are operated as an integrated power system, ^{3/} Federal Base System

BPA's long-term strategic objectives are shown in the ellipses above and define our strategic direction. As the map colors illustrate, each strategic objective helps uphold one or more of the four pillars of BPA's vision: system reliability, low rates, environmental stewardship, and regional accountability. For details on BPA strategic planning, and agency and business unit strategy maps and scorecards, go to <http://bpaweb/orgs/orgs%20main/SP/default.aspx>.