



BPA financial information is provided for discussion purposes during this pre-rate case process.

Pre-Decisional

WP-07 Power Rate Case Workshop

July 26, 2005

Revenue Requirement



Financial Disclosure & Caveat

1. All FY 2007-2009 information was provided in July 2005 and cannot be found in BPA-approved Agency Financial Information but is provided for discussion or exploratory purposes only as projections of program activity levels, etc.
2. The FY 2007-2009 net interest expense information is a derived estimate for presentation purposes and may not be found in Agency Financial Information releases but is provided for discussion or exploratory purposes only as projections of program activity levels, etc. Such information should be used only for the purpose for which it was provided and should not be re-communicated by the recipient without the foregoing qualification.
3. **Caveat:** This is a preliminary view of the revenue requirement. The results may change as analysis continues in preparation for the Initial Proposal.



BPA financial information is provided for discussion purposes during this pre-rate case process.

Assumptions

Repayment and Revenue Requirement Studies assume:

- Third-Party Financing:
 - CGS fuel bonds
 - Financing new CGS capital investments to 2018
 - Already-completed 2005 refinancing actions (EN & EWEB)
- Conservation: 5 year service life
- CRFM plant-in-service schedule: Option B selected
- Updated interest rate forecast



BPA financial information is provided for discussion purposes during this pre-rate case process.

Third-Party Debt Service

(\$ thousands)	2007	2008	2009
PFR Debt Management Workshop	579,997	565,407	557,024
July Revenue Requirement Workshop	601,324	593,374	597,890

- The increase in debt service is due to the financing of CGS fuel, assumed financing of new CGS capital investments, and FY 2005 EN debt extension for debt optimization partially offset by savings from EWEB's Trojan bond refinancing.



BPA financial information is provided for discussion purposes during this pre-rate case process.

Capital Forecast

PFR Debt Management Workshop

(\$ thousands)	2007	2008	2009
1 ConAug	32,000	32,000	32,000
2 F&W	36,000	36,000	36,000
3 Capital Equipment (incl. Corp)	18,000	18,000	18,000
4 COE/USBR:			
5 Direct Funding	172,910	69,958	83,594 ^{\1}
6 CRFM	100,200	113,400	147,400
7 Other Appropriations	0	0	0
8 Total COE/USBR	273,110	183,358	230,994
9 Total Capital	359,110	269,358	316,994

\1 The Direct Funding row reflects what was used in the repayment study for the PFR. However, the Corps/Bureau workshop used a more recent set of data. The values in that workshop were \$133,000 ('07), \$145,000 ('08), and \$137,000 ('09).

July Revenue Requirement Workshop

(\$ thousands)	2007	2008	2009
1 ConAug	0	0	0
2 Conservation Acquisition	32,000	32,000	32,000
3 F&W	36,000	36,000	36,000
4 Capital Equipment (incl. Corp)	12,125	13,875	12,261
5 COE/USBR:			
6 Direct Funding	133,000	145,100	137,300
7 CRFM	76,119	135,796	5,817
8 Other Appropriations	0	0	0
9 Total COE/USBR	209,119	280,896	143,117
10 Total Capital	289,244	362,771	223,378



BPA financial information is provided for discussion purposes during this pre-rate case process.

Depreciation Forecast

PFR Debt Management Workshop

	(\$ thousands)	2007	2008	2009
1	Total Depreciation	117,200	117,331	120,065
2	Amortization			
3	F&W	20,751	22,227	23,316
4	Conservation (Legacy)	33,049	29,843	27,283
5	Conservation Augmentation	21,900	30,027	40,999
6	Total Amortization	75,700	82,097	91,598
7	Total Depreciation/Amortization	192,900	199,428	211,663

July Revenue Requirement Workshop

	(\$ thousands)	2007	2008	2009
1	Total Depreciation	111,303	112,798	114,811
2	Amortization			
3	F&W	19,013	20,493	21,584
4	Conservation (Legacy)	33,049	29,843	27,283
5	Conservation Augmentation	20,140	20,140	20,140
6	Conservation Acquisition	3,200	9,600	16,000
7	Total Amortization	75,402	80,076	85,006
8	Total Depreciation/Amortization	186,705	192,874	199,817



BPA financial information is provided for discussion purposes during this pre-rate case process.

Federal Net Interest Forecast

PFR Debt Management Workshop

(\$ thousands)	2007	2008	2009
1 Interest on Federal Investment			
2 On Appropriated Funds	205,475	211,061	215,775
3 On Long-Term Debt	74,672	91,001	100,636
4 Interest Credit	(9,977)	(10,413)	(10,628)
5 Amort of Cap Bond Prem	613	613	185
6 Capitalization Adjustment	(45,937)	(45,937)	(45,937)
7 AFUDC	(8,593)	(8,593)	(8,593)
8 Net Interest Expense	216,524	237,732	251,437

July Revenue Requirement Workshop

(\$ thousands)	2007	2008	2009
1 Interest on Federal Investment			
2 On Appropriated Funds	200,621	197,658	200,289
3 On Long-Term Debt	60,059	77,018	87,641
4 Interest Credit	(21,995)	(22,482)	(22,459)
5 Amort of Cap Bond Prem	613	613	185
6 Capitalization Adjustment	(45,937)	(45,937)	(45,937)
7 AFUDC	(8,000)	(8,000)	(8,000)
8 Net Interest Expense	185,361	198,870	211,719



BPA financial information is provided for discussion purposes during this pre-rate case process.

Minimum Required Net Revenues

PFR Debt Management Workshop	(\$ thousands)	2007	2008	2009
1	Non-Cash Items:			
2	Depreciation	117,200	117,331	120,065
3	Amortization	75,700	82,097	91,598
4	Amortization of Capitalized Bond Premiums	613	613	185
5	Capitalization Adjustment	(45,937)	(45,937)	(45,937)
6	Accrual Revenues	(5,179)	(5,179)	(5,179)
7	Total Non-Cash Items	142,397	148,925	160,732
8	Cash Requirements:			
9	Repayment of Long-Term Debt	83,357	132,481	117,700
10	Repayment of Capital Appropriations	109,141	63,500	78,100
11	Irrigation Assistance	-	2,950	6,590
12	Total Cash Requirements	192,498	198,931	202,390
13	Minimum Required Net Revenues	50,101	50,006	41,658
July Revenue Requirement Workshop	(\$ thousands)	2007	2008	2009
1	Non-Cash Items:			
2	Depreciation	111,303	112,798	114,811
3	Amortization	75,402	80,076	85,006
4	Amortization of Capitalized Bond Premiums	613	613	185
5	Capitalization Adjustment	(45,937)	(45,937)	(45,937)
6	Accrual Revenues	(5,179)	(5,179)	(5,179)
7	Total Non-Cash Items	136,202	142,371	148,886
8	Cash Requirements:			
9	Repayment of Long-Term Debt	68,357	104,300	110,637
10	Repayment of Capital Appropriations	101,916	77,961	59,220
11	Irrigation Assistance	-	2,950	6,590
12	Total Cash Requirements	170,273	185,211	176,447
13	Minimum Required Net Revenues	34,071	42,840	27,561



BPA financial information is provided for discussion purposes during this pre-rate case process.

Revenue Requirement Income Statement

(\$ thousands)	A 2007	B 2008	C 2009
1 OPERATING EXPENSES			
2 POWER SYSTEM GENERATION RESOURCES			
3 OPERATING GENERATION RESOURCES	514,139	471,856	512,425
4 OPERATING GENERATION SETTLEMENT PAYMENTS	16,968	17,354	17,749
5 NON-OPERATING GENERATION	9,350	5,252	2,254
6 CONTRACTED POWER PURCHASES	158,652	108,714	108,714
7 RESIDENTIAL EXCHANGE/IOU SETTLEMENT BENEFITS	323,000	323,000	323,000
8 RENEWABLE AND CONSERVATION GENERATION	103,046	107,905	129,573
9 TRANSMISSION ACQUISITION AND ANCILLARY SERVICES	181,962	182,962	185,662
10 POWER NON-GENERATION OPERATIONS	56,132	57,715	59,422
11 F&W/ENVIRONMENTAL REQUIREMENTS	171,185	172,276	173,367
12 GENERAL AND ADMINISTRATIVE	61,165	61,127	67,519
13 OTHER INCOME, EXPENSES AND ADJUSTMENTS	40,000	40,000	40,000
14 NON-FEDERAL DEBT SERVICE	601,324	593,374	597,890
15 DEPRECIATION AND AMORTIZATION	186,705	192,874	199,817
16 TOTAL OPERATING EXPENSES	2,423,627	2,334,408	2,417,391
17 INTEREST EXPENSE:			
18 INTEREST ON FEDERAL INVESTMENT-			
19 APPROPRIATED FUNDS	200,621	197,658	200,289
20 BONDS ISSUED TO U.S. TREASURY	60,059	77,018	87,641
21 INTEREST CREDIT ON CASH RESERVES	(21,995)	(22,482)	(22,459)
22 AMORTIZATION OF CAPITALIZED BOND PREMIUMS	613	613	185
23 CAPITALIZATION ADJUSTMENT	(45,937)	(45,937)	(45,937)
24 ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION	(8,000)	(8,000)	(8,000)
25 NET INTEREST EXPENSE	185,361	198,870	211,719
26 TOTAL EXPENSES	2,608,988	2,533,278	2,629,110
27 MINIMUM REQUIRED NET REVENUES 1/	34,071	42,840	27,561
28 PLANNED NET REVENUES FOR RISK			
29 TOTAL PLANNED NET REVENUES (27+28)	34,071	42,840	27,561
30 TOTAL REVENUE REQUIREMENT	2,643,060	2,576,118	2,656,671

1/ SEE NOTE ON CASH FLOW STATEMENT



BPA financial information is provided for discussion purposes during this pre-rate case process.

Revenue Requirement Statement of Cash Flows

(\$ thousands)	A 2007	B 2008	C 2009
1 CASH FROM OPERATING ACTIVITIES			
2 MINIMUM REQUIRED NET REVENUES 1/	34,071	42,840	27,561
3 NON-CASH ITEMS:			
4 DEPRECIATION AND AMORTIZATION	186,705	192,874	199,817
5 AMORTIZATION OF CAPITALIZED BOND PREMIUMS	613	613	185
6 CAPITALIZATION ADJUSTMENT	(45,937)	(45,937)	(45,937)
7 ACCRUAL REVENUES	(5,179)	(5,179)	(5,179)
8 CASH PROVIDED BY OPERATING ACTIVITIES	170,273	185,211	176,447
9 CASH FROM INVESTMENT ACTIVITIES:			
10 INVESTMENT IN:			
11 UTILITY PLANT (INCLUDING AFUDC)	(209,119)	(280,796)	(142,817)
12 CONSERVATION	(32,000)	(32,000)	(32,000)
13 FISH & WILDLIFE	(36,000)	(36,000)	(36,000)
14 CASH USED FOR INVESTMENT ACTIVITIES	(277,119)	(348,796)	(210,817)
15 CASH FROM BORROWING AND APPROPRIATIONS:			
16 INCREASE IN BONDS ISSUED TO U.S. TREASURY	201,000	213,000	205,000
17 REPAYMENT OF BONDS ISSUED TO U.S. TREASURY	(68,357)	(104,300)	(59,220)
18 INCREASE IN FEDERAL CONSTRUCTION APPROPRIATIONS	76,119	135,796	5,817
19 REPAYMENT OF FEDERAL CONSTRUCTION APPROPRIATIONS	(101,916)	(77,961)	(110,637)
20 PAYMENT OF IRRIGATION ASSISTANCE	0	(2,950)	(6,590)
21 CASH PROVIDED BY BORROWING AND APPROPRIATIONS	106,846	163,585	34,370
22 ANNUAL INCREASE (DECREASE) IN CASH	0	0	0
23 PLANNED NET REVENUES FOR RISK	0	0	0
24 TOTAL ANNUAL INCREASE (DECREASE) IN CASH	0	0	0

1/ Line 22 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.



Changes in the Repayment Study

- **Bond Rollover Feature:** This is a capability that allows the study to mirror BPA's actual practice of rolling over (refinancing) short-term Treasury bonds to more accurately calculate bond interest. This is the same feature that was described in the 2006 TBL rate case.
- **Calculation of Appropriations Interest:** The interest calculation on appropriations has been modified. Previously, six months of interest was calculated in the year the plant was placed into service. However, since the plant is not actually transferred to service until the last day of the fiscal year, there should be no interest until the subsequent year. The model now begins calculating interest in the year following transfer to plant.