



**WP-07S Power Rate Case
Potential Updates for Non-REP Topics
for the Supplemental Initial Proposal**

October 10, 2007



Purpose of Today's Workshop

- To go over proposed updates to FY 09 information that will be part of the calculation of BPA's FY 09 power rates.
- Other workshops scheduled for October 22nd and October 29th will cover the REP issues.



Non-REP Studies and Topics for WP-07S

BPA is proposing to update some elements of the following studies:

- Fish and Wildlife Costs
- Load Resource Study
- Market Price Forecast
- Risk Analysis and Mitigation
- Other Revenue Requirement Costs
- WPRDS – Rates



Fish & Wildlife Costs & WP-07S Rates

- The processes that will determine BPA's fish and wildlife costs for FY 09 are not yet complete.
- Current ongoing FCRPS BiOp-related processes and timelines:
 - The 2004 FCRPS BiOp was remanded by the Federal District Court of Oregon
 - After extensive collaboration with sovereign Parties to the BiOp lawsuit, the Action Agencies (BPA, COE, BOR), produced a Proposed Reasonable and Prudent Alternative for the FCRPS – August, 2006.
 - The NMFS draft FCRPS BiOp is due October 31.
 - The Court is expected to set a date for issuance of a final BiOp.
 - Following a Final BiOp, BPA will issue a ROD.
 - BPA is also engaged in discussions with a variety of entities in the region for possible long-term agreements (MOAs) for Endangered Species Act and related measures.
- There are likely to be some additional costs in FY 08 and beyond from these events, but the process for finalizing them is not complete yet - BPA will need the final FCRPS BiOp from NMFS and any signed MOAs in order to make an accurate estimate of future costs.



Fish & Wildlife Costs & WP-07S Rates, cont'd

Proposed Approach for Supplemental Initial Proposal

- Supplemental Initial Proposal will describe current status of fish costs with no change in base case fish costs for FY 09.
- Supplemental Initial Proposal will describe process for including additional fish costs once processes are completed (e.g. once the FCRPS BiOp is final and BPA issues its decision and once MOA decisions are inked).
- Final BiOp & MOAs would be trigger events under the NFB surcharge and NFB Adjustment and could affect FY 09 rates or even FY 08 if it is a poor financial year.
- Current thinking is that any increased costs falling in FY 08 from these actions is unlikely to result in the need for an NFB Emergency Surcharge.



Fish & Wildlife Costs & WP-07S Rates, cont'd

Proposed Approach for Final Proposal

- BPA proposes to update the hydro operation and program expenses for the Final Proposal.
- The expected costs will be included in the base rates for WP-07S (FY09).
- Some additional risk and modeled changes may be required around the expected costs. These may be modeled in NORM or RiskMod.
- There will be a true-up for the NFB base case operation. The new NFB base case operation will not be the one assumed in the WP-07 rate case. The new NFB base operation will be the same operation as assumed in the WP-07S final studies.
- A workshop may be held outside the rate case to describe the final forecasts of expected changes in costs for fish and wildlife.



Load Resource Study

Proposed Changes to the Public Load Forecast for FY09

Annual Energy in aMW	Current Forecast (aMW)	WP-07 Forecast (aMW)	Delta (aMW)
Non-Slice Sales			
1. Sales at PF rates	5,635	5,497	139
2. Presub Sales	185	186	(1)
3. Savings from Bilateral Conservation Agreements	(63)	(63)	(0)
4. Non-Slice Sales	5,758	5,620	138
Slice Sales			
Slice, Critical	1,607	1,594	13
TOTAL Public Sales	7,365	7,214	151



Load Resource Study Continued

Proposed Changes from WP-07 Final Studies to WP-07S Initial Studies

**Loads and Resources - Federal System
PNW Loads and Resource Study Differences**

**[45] 2007 Supplemental Rate Case (Initial) Less [38] 2007 Final Rate Case
1937 Water Year**

FY Energy (aMW)	2009	Notes/Source
Load Change		
1. Non-Slice Power Sales Contracts	137	Updated Forecast
2. Slice Power Sales Contracts	13	Updated Forecast
3. Exports	0	
4. Regional Transfers (Out)	0	
5. Load Increase	151	
Resource Change		
6. Regulated Hydro Resources	42	Updated hydro improvements to be in-sync w/ hydro regulation
7. Independent Hydro Resources	16	Includes Idaho Falls Bulb Turbines
8. Regional Transfers (In) (No WP3 Settlement)	0	
9. CGS	1	New maintenance w/ 54 day outage schedule
10. Miscellaneous Resource and Contracts	0	
11. Augmentation Increase	96	Increased Augmentation Need
12. Tx Losses	-4	Increased Tx Losses due to Augmentation
13. Resource Increase	151	
Augmentation Increase		
14. 2007 Rate Case Augmentation	270	
15. 2007 Supplemental RC Increased Augmentation	96	
16. Total FY2009 Augmentation	366	

Note: Some columns may not add up due to rounding.



Market Price Forecast

- BPA proposes not to update the WP-07 Final Proposal market price forecasts for the Supplemental Initial Proposal as fundamentals have not changed markedly since May, 2006.
 - Hydro reg is not changing (see fish cost discussion)
- The market price forecast will be updated for the Final Proposal
- Models (AURORA) & Methodology will not change
- Proposed inputs that will be updated for the Final Proposal
 - Hydro reg (change unknown)
 - Load Forecast (minimal change expected)
 - New Resources (minimal change expected)
 - Gas Price forecast (minimal change anticipated at the moment)



Risk Analysis

- For the Supplemental Initial Proposal, BPA proposes Risk mitigation tools [will] remain the same, i.e., minimum operating reserves, PNRR, CRAC, Flexible PF, Direct Pay and an NFB.
- For the Supplemental Initial Proposal, BPA proposes there will be no methodology changes for the risk analysis.
- Proposed updates to the Risk Analysis Study for the Supplemental Initial Proposal
 - Loads and resources
 - Re-run CGS risk model for updated CGS forecasted output
 - Re-run DSI Benefit risk model
 - Transmission and ancillary service expenses, both base case and risk values, will be updated to account for changes in load and resource data
 - Remove IOU Benefits risk component
 - Distributions around program level costs
- Data NOT updated for the Supplemental Initial Proposal
 - Market price forecast
 - Hydro generation (including non-treaty refill assumption)
 - Replacement power purchases for 4(h)(10)(c) estimates



Risk Analysis, Cont'd

- Proposed updates provided to RAM for Supplemental Initial Proposal:
 - Surplus sales revenue & balancing purchase expenses (revised for load/resource changes only).
 - Augmentation expenses (revised for load/resource changes only).
 - 4(h)(10)(c) credit will not change.
- Proposed updates provided to ToolKit for Supplemental Initial Proposal:
 - PBL net revenues incorporating all of the above data updates.
- Updates for the Final Proposal:
 - For the Final Proposal, the hydro reg and the market price forecast will be updated. Those updates will flow through the various risk models.
 - Any other new information about such things as fish program costs or other expenses will also be updated.
- Possible changes for Final Proposal:
 - Possible new approach to modeling REP cost risk
 - Possible new approach for modeling risk around fish costs



Revenue Requirement

BPA is reviewing the entire revenue requirement, and is proposing to update the following:

- **Program Expenses:** Proposing to update CGS O&M costs
- **Capital Recovery Costs**
 - **Repayment Study:** Proposing to update the repayment study output to take into account the results of FY07. The study will be used to recalculate interest expense. It will not be used to reset the scheduled amortization of Federal debt. Because of the timing of the Initial Proposal, FY07 results may not be fully incorporated until the Final Proposal.
 - **Depreciation:** Proposing to update the forecast to include actual plant investment through FY07. Because of the timing of the Initial Proposal, FY07 results may not be fully incorporated until the Final Proposal.



WPRDS – Rate Design

- Due to the Partial Resolution of Issues from the WP-07 rate case , we propose to change the following rates to match the revenue requirement:
 - HLH Energy
 - LLH Energy
 - Demand
 - Load Variance



Next Steps

- Workshops on October 22nd, October 26th, and potentially November 6th to cover the REP issues
- A “no surprises” workshop is scheduled for November 26
- FRN expected to be published on December 3
- Scheduling Conference on December 17