Transmission Business Line
Programs in Review
Transmission Program Level Costs 2004-2006
The Value of Transmission

Customer Questions & Comments

Q = customer question or comment
A = answer

Idaho Falls (July 17)

Ric Brown, Ravalli County Electric
Q -- Are the national reliability standards the same for all voltages? Can I get a copy of the standards?
A -- VanZandt -- The standards aren't related to voltage levels. If you have a 1000 MW on a 2-line path and one line goes out, the other can't exceed the emergency level. NERC, now NERO sets the national standards. Also, WSCC, now WECC, sets western standards because the long distances of the western system is different than that of the eastern transmission system. After 1996, reliability standards were increased and we've seen more vigilant watchdogging.

Don Angell, Wells Rural Electric
Q -- What will this cost rate-wise?
A -- VanZandt -- There's a lot of pent up demand for new lines already. We think if we have 5500 MW of new generation using our system, we would be rate neutral on all G-20 projects. More than that and it may have a downward pressure on rates. We already have contracts in place for 1100 MW of that 5500 MW needed and about 4000 MW is under construction.

We also have proposals to limit the risk. For example, the John Day to McNary 500 kV line is to accommodate new generation. We are looking at third party financing. The developer could pay for the transmission line in advance and receive transmission credits for later use.

Don Angell, Wells Rural Electric
Q. Why not wait for an RTO to spread the risk?
A. VanZandt -- Optimistically, we can expect the RTO to begin operations in early 2006. If the region decides it needs an RTO and the region gives it a strong planning function, then it would take 3 to 5 additional years before a project would be energized. We can't wait that long. In the interest of the region, we need to relieve crippling congestion and mitigate for potential price spikes, so we need to make some dirt fly now.

Don Angell, Wells Rural Electric

Q. Bonneville customers aren't influenced by deregulation and we don't want any part of paying for its costs.
A. VanZandt -- Consider that a non-clogged system is less vulnerable to price spikes like we saw in 2001.

Jo Fikstad, Idaho Falls Power
Q. Are there any projects that will affect BPA obligations to GTA customers? There is limited transmission into Idaho, so there is an immediate concern there won't be capacity to serve load.
A. We need to make these investments or we won't be able to meet our firm obligations. In addition, Idaho Power is making some investments in transmission. Electrons don't care where the ownership lies. One thing to watch: PacifiCorp is thinking about reallocating rights on its Midpoint to Summer Lake 500 kV line.

Jo Fikstad, Idaho Falls Power
Q. Why is Bonneville doing all this?
A. Johnson -- The western transmission is one huge interconnected system. We're all in this together and need to ensure everyone has power.

Don Angell, Wells Rural Electric
Q -- While you sell off delivery facilities, if the substation near Burley goes away, are you also going to shift your crew to another location?
A -- Johnson -- If the sub goes away in Burley, we may shift the crew to Idaho Falls. We know it’s a concern, but we have no plans at this time to do that.

Jo Fikstad, Idaho Falls Power
Q -- With the PBL and TBL on different rate case timing, when do customers get to look at both regarding Shared Services?
A -- Meyer -- PBL is now in a process that is looking at difficult tradeoffs. You'll get to see their piece of Shared Services in that process. We have no plans at all to get together with PBL to talk about it.

Jo Fikstad, Idaho Falls Power
Q -- When will you have preliminary rates, an initial proposal?
A -- Meyer -- We are having rate case workshops in August and September, maybe in October. They will come back with a proposal as early as sometime in November or in early January.

Jo Fikstad, Idaho Falls Power
Q -- Concerning the rate case, will it look at the costs of backup transmission service from LaGrande?

Jo Fikstad, Idaho Falls Power
Q -- There is a $6 million increase in scheduling. Why?
A -- Meyer -- Two things:

- Volume of transactions. There are now handling 2500 schedules per day. That's more per 24-hour period than any other utility in the nation. We didn't have a handle on that in 2000 when we set the budget for FY2002-03.
- Computer systems are driving costs up. If you have these new products -- 10-minute scheduling, etc. -- then that requires automation.

Don Angell, Wells Rural Electric
Q -- Does the TBL have an obligation to the US Treasury?
A -- Yes, it is roughly equivalent to the depreciation line on the table (see presentation table, page 5).

Don Angell, Wells Rural Electric
Q -- Do you make up a deficit in the following year? Not like the PBL, which makes it up today (referring to the Cost/Rate Adjustment Clause)?
A -- Meyer -- We've kept track of TBL and PBL net revenues separately since 1974, so when we separated in 1996 we had an accounting system in place. In FY 2001 and now FY2002, we will have contributed a lot of cash to the organization -- as much as $150 to $200 million. So, has PBL used TBL cash? Yes, because PBL has needed it. The important thing is keeping track and truing up the numbers. It could be returned to us. We call that an interfunctional loan and have begun to have a conversation internal to Bonneville about it. This could affect our revenue requirements in the coming years. It would be nice not to have a rate case that asks for more revenue, but there are all these underlying complications, so I can't promise that.

Jo Fikstad, Idaho Falls Power
Q -- Do the alternative methods for financing projects go against your borrowing authority?
A -- Meyer -- That is being debated. We can expect a higher interest rate when not using our borrowing authority. We did a solicitation, asking people to come in and talk to us about their ideas for financing these projects without using our borrowing authority. We're also talking with developers who need new transmission to get their product to market. That could include asking them to provide sufficient capital for prepayment of transmission. That already is a policy of all other transmission providers in the US. We're looking at this for the John Day to McNary 500 kV line, which is solely to provide transmission for new generation.

Ric Brown, Ravalli County Electric
Q -- Can you talk about what your maximum rate proposal would be?
A -- Meyer -- That could depend on how much revenue financing we would need. That could be as much as 10%, but we are two to four months premature to have any idea. There is actually a decent chance we would have a 12-month extension. Still, the cash issue is a big one (cash balance). I do know that Steve Wright (BPA Administrator) is very concerned about the cost of delivered power.

Spokane (July 18

Bob Crump -- Kootenai Electric Coop
Q -- Is there some reason why you only go out through FY 2006 in this process?
A --

Bob Crump -- Kootenai Electric Coop
Q -- How does the RTO formation enter this picture?
A -- VanZandt -- This is a bridge strategy. The RTO is hotly debated. If it stays on track, we can expect it to begin operations in early FY 2006. Operations are likely to consumer them for awhile, but if they began planning immediately, it would take 3 to 5 years before a significant transmission line would be constructed. That's out to 2011 or 2012. The transmission system will not last that long.

Bob Crump -- Kootenai Electric Coop
Q -- When you plan and forecast do you assume an RTO formation at some point?
A -- VanZandt -- Yes, that's a national direction. There are a lot of things to work out -- price, how to manage constraints -- but somebody has to manage constraints now. The infrastructure proposal is what we've been asked.

Bob Crump -- Kootenai Electric Coop
Q -- If the RTO forms in 2006, wouldn't they take over planning?
A -- VanZandt -- Yes, if they are given a strong planning role. That's another thing still under debate.

Bob Crump -- Kootenai Electric Coop
Q -- So, there is some prospect of duplication?
A -- VanZandt -- If that's the way the RTO is formed.

Bob Crump -- Kootenai Electric Coop
Q -- If a customer needs a line extension, or if a new generator needs service, how does BPA cover the costs?
A -- Some of our investment is for load service. We have existing obligations. West of Hatwaii is one. Other projects are IPPs that have asked for service and are high in our cue or the project is under construction. If that generator goes out of business, do we pay the remaining costs of the transmission project that served the generator? We're looking at long-term contracts and funding in advance to limit our risks.

Michael Henry, Lincoln Electric Cooperative (Montana)
Q -- Where can we find national reliability standards?
A -- VanZandt -- WSCC, now WECC, is the western area reliability council. There are 10 in the nation, all overseen by NERC, now NERO. They set planning standards and operating standards.

Andy Law, Avista
Q -- Do you really think there has been gaming in the Northwest?

A -- No, but there have been unintended consequences with the new market rules. For example, for the Cal ISO there were price caps on the day ahead market, so there was a huge incentive to understate that load. As a consequence, the Cal ISO was often under supplied.

Bob Crump -- Kootenai Electric Coop
Q -- How do you define constrained path?
A -- VanZandt -- It's not often that we have to shed load, at least not generally in the Northwest. That means that a redispatch solution is possible in most cases. One measure of a constrained path is that we hit a capacity limit and cannot meet contractual obligations. Fish obligations are also a requirement. Another constraint is when a party asks for transmission but we don't have enough capacity left to do it.

Tom Richardson, City of Cheney
Q -- How much of the infrastructure is needed to improve load service and how much is due to changes in marketing?
A --

Jim Johnson, Big Bend Electric Cooperative
Q -- We appreciate the fact the transmission infrastructure projects will improve reliability, being West of Hatwaii. And, the price tag is just fine. And I've heard about a plan for the RTO and that you have a bridging strategy. But, when you get into marketing and infrastructure projects that help IPPs send power someplace else, there ought to be a fee for that so that we don't have to pay. Tell FERC to go home. Our customers don't need to spend dollars on their infrastructure projects. I'm not wild about fish either.
A -- VanZandt -- Transmission customers' impact will be minimized. But we need to be concerned about California because what happened there contributed to the price spikes we felt here. We need to address both supply and transmission in the Northwest. If any of you had to procure short-term diesel power during the energy crisis, you know what I mean. We want to integrate generators so prices don't go nuts.

Jim Johnson, Big Bend Electric Cooperative
Q -- Ensure the costs are not shifted to our customers. If California can't keep its own house, make it pay. We need reliability, but we don't want costs shifted to us.
A -- VanZandt -- There is a pent-up demand for transmission capacity already. Not all existing resources can get their power through to markets. This package integrates 8000 to 12000 MW. 5500 MW covers the cost of the whole infrastructure package, including reliability.

Jim Johnson, Big Bend Electric Cooperative
Q -- If that turns out to be only 2000, we get stuck.

Andy Law, Avista

Q -- If there are undue burdens on IPPs, that will affect prices. Yes, there are additional costs, but there are also additional revenues. If you don't do these projects, there will be shortages. If you want reasonable energy prices, you will do these projects.

Bob Crump, Kootenai Electric Cooperative
Q -- I don't think that means very much to full-requirements customers.
A -- VanZandt -- We're more at the whims of Mother Nature here than in most areas in the nation. Last year we had our second lowest water year. Anything that can keep that price down is good for all of our customers. Now, we need a little bit of surplus for both transmission and power.

Jim Johnson, Big Bend Electric Cooperative
Q -- There is an indirect affect on us when TBL ramps its infrastructure program up and down. We appreciate this consistent plan.
A -- VanZandt -- We're having trouble finding qualified linemen when we need them. Also, we can't always find materials. Both are in short supply when we do projects. Consistent projects are also easier for us.

Michael Henry, Lincoln Electric Cooperative
Q -- Have you worked with the unions to shift the normal work week to accommodate non-peak work?
A -- Johnson -- Yes, to an extent. If we schedule out 30 days, we can drop pay from double time to 1-1/2 time. But this is something we still need to deal with.

Andy Law, Avista
Q -- When there is positive net revenue, how does that affect transmission rates?
A -- Meyer -- (refer to chart on Meyer's presentation, page 2) -- In FY 2001, we had $43.5 million increase in cash reserves. On of things that allows us to forecast net revenues as low as $3.7 million in FY 2002 is because of the cash reserves we can count on. At the end of 2002, I predict TBL will have about $150 million to $200 million in reserve. That can be used in a future year. However, an issue we're grappling with now is that we may have $200 million in cash reserves, but the agency may not have any reserve. If there are no dollars at the agency level, I can't rely on cash reserves in the next rate case. We begin rate case workshops in August to consider what transmission increase may be necessary and this may be one of the issues. Interfunctional loans: should we be loaning back and forth between business lines?

Bob Crump, Kootenai Electric Cooperative
Q -- If you decreased FY 2002, how much of an increase was that over FY 2001?
A -- Meyer -- It is true that the FY2002 budget is higher than the FY 2002 budget in the rate case. It has been a huge management challenge to determine how to build and maintain a system, while leaving a small footprint on the budget. Our first bottoms up review still left too high of an impact on customers. After the second review, we took the FY 2003 budget and moved it to FY 2004. We marked up the FY 2002 budget by 2.5% for inflation and called that our FY 2003 budget. We inflated FY 2005 and FY 2006 by 2.5% from the FY 2004 budget.

Bob Crump, Kootenai Electric Cooperative
Q -- Why the straight line for FY 2005 and FY 2006?
A -- Meyer -- Those years are so far out, they are difficult to estimate. Fred (Johnson) is concerned the straight line underestimates his maintenance needs.

Tom Richardson, City of Cheney
Q -- What about debt service?
A -- Meyer -- You're seeing interest as part of the debt payment. Depreciation and amortization schedules are tied.

Tom Richardson, City of Cheney Light
Q -- Is that true even with increased expenses?
A -- Meyer -- Yes. Maybe if we start ramping up the infrastructure program, it might affect it further out. That will depend on short and long-term borrowing.

Michael Henry, Lincoln Electric Cooperative
Q -- Assume the worst case. What kind of increase could we get?
A -- Meyer -- I don't know. The redispatch question can't be quantified at this time. We may not even have to pay real dollars for redispatch. With agency cash issues, sales and other programmatic issues, I can't imagine it being more than a 10% increase.

Bob Crump, Kootenai Electric Cooperative
Q -- What is the RTO effort costing TBL?
A -- It cost about $1.5 million this past year. We're projecting in FY 2003 and beyond that will go to $2.5 million.

Portland (July 19)

Steve Weiss, representing NW Energy
Q -- I don't see how deregulation caused that (referring to power transfers up the DC Intertie and down the AC Interties to get around California Path 15)?
A -- VanZandt -- Let me give you another example regarding when market rules changed but reliability of the system did not. Last year, FERC put a price cap on the system, but not on the Cal ISO. That resulted in a shortage of real time generation.

Steve Weiss, representing NW Energy
Q -- That's due to market imperfections. I don't want to spend a lot of money on hardware up here to fix market laws that need fixing.

Carol Opatrny, Powerex
Q --How much generation is under construction now? Sounds like you're going to follow generation construction?

A -- VanZandt -- About 4000 MW. Generators have a right to site and then ask for transmission service. We do a feasibility study. If it contributes to congestion, that's part of the information.

Carol Opatrny, Powerex
Q -- Do you have the ability to say no?
A -- VanZandt -- We really don't. We could say it would be better to hook up to the 500 kV grid, rather than the 230 kV line. But there really is no place on this system that is congestion free.

Michael Early, Alcoa
Q -- If a generator wants to be in a certain place and incremental transmission is necessary, who pays?
A --

Steve Weiss, representing NW Energy
Q -- Do you have a feeling for the price elasticity for requests across congestion? Looking towards the RTO, some are determined by price. To say there are X-MW requests doesn't tell us how urgent those requests are.

Michael Early, Alcoa
Q -- Do you need to fix capacity the whole length of your system?
A -- VanZandt -- Not necessarily. We're targeting additions. It may be wires, it may be capacitors.

Michael Early, Alcoa
Q -- Last summer you reviewed all the G-9 projects. Have you done the same for G-10 through G-20?
A -- VanZandt -- Not all of them. The technical review team is looking at the proposed projects to see if they agree they are necessary and if they contain the right financials. Planning for some of the projects is just underway. This is an annual review and the second review report is due the second week of August.

Ray Blivens, RCS
Q --Starbuck is on your list. Isn't that on hold? How do you treat such a project?
A -- VanZandt -- We don't go forward unless there is some certainty. Chuck (Meyer) will talk about how we manage risk.
Meyer -- For example, the John Day-McNary line is being funded 100% by generators through Sept. 30 and we're now working with developers on an agreement from Oct. 1 and later.

Carol Opatrny, Powerex
Q -- I thought the G-9 projects were moving forward now?
A -- VanZandt -- If generation is not happening, we are not moving forward.

Michael Early, Alcoa

Q -- A lot of times reliability benefits more than one transmission system. Do you apportion costs?
A -- VanZandt -- Yes. We look with others at the best way to solve the problem. For example, the Puget Sound and West of Hatwaii projects require investments by other systems.

Michael Early, Alcoa
Q -- It's hard to know what you are going to end up with until we see the time sequence of all these projects.

Carol Opatrny, Powerex
Q -- My client is concerned about the computer systems and their costs. Could you supply more detail? Could you indicate what kind of new marketing functions need this software and hardware? We're supportive in seeing this. Scheduling and software support us.

Michael Early, Alcoa
Q -- Are you capitalizing RTO expenses at this point?
A -- Meyer -- We're expensing.

Michael Early, Alcoa
Q -- What are your fiber optic forecasts and costs?

Michael Early, Alcoa
Q -- Some projects are in process, but others are still under review. What is the decision process to get to actual spending?

Ray Blivens, RCS
Q -- You show FY 2002-03 capital budgets, but how have you changed that the last couple of years?

Steve Weiss, representing NW Energy
Q -- When you delay maintenance, how do you make that decision?
A -- Johnson -- 45 day advance notice and comment from customers and marketers. But it's not just marketing. Emergencies also have an affect. Last night fires in southern Oregon affected the interties.

Steve Weiss, representing NW Energy
Q -- Is it purely a dollar thing? You must have some influence? Do you choose a least expensive time? Is the decision made in a non-discriminatory way? It is dangerous when people can just call the Administrator (referring to a line outage in the West of Hatwaii area).
A -- VanZandt -- We try to schedule outages when they would have the least impact on the market.

Steve Weiss, representing NW Energy

Q -- But whose market? The fact that someone called the Administrator tells me it may not be objective.
A -- VanZandt -- We post a proposal 45 days in advance for a time when we expect demand to be lower, take comments, try to make adjustments. We settled on 45 days because the market wants a monthly product. Also, every six months we make a best guess as to outages we will want. We're trying to get generators to post outages too. Which ones are running have a huge impact on transmission capacity. IPPs are resistant to this because it is market information.
Johnson -- Each one of those calls to the Administrator was turned down because it was a reliability issue.
Meyer -- This is truly transparent. It is done on OASIS.

Steve Weiss, representing NW Energy
Q -- Still, it ended up that you picked a week due to commercial concerns.

Amir Amjadi -- BC Hydro
Q -- Have you been pushed to do more live line work?
A -- In the old days our first choice was to take the line out. But pushed? I think everyone expects that of us. BC Hydro philosophy is to always do it hot, but we have some restrictions (e.g. barehanding and working from helicopters).

Unknown
Q -- How much have warning and control limits changed (refers to Fred Johnson, Line Availability chart, page 12)?
A -- Johnson -- Control limits are set by standard deviation. That changes over time as capacity changes. Calculations available on the TBL web site.
VanZandt -- It's based on five year intervals. It could change as facilities age.

Unknown
Q -- When you reach the upper or lower limits, what do you change?
A -- Johnson -- Behind this is a list of 209 lines. It is a look at what's happening on those lines.
VanZandt -- This is an indicator. If it is outside the control limit, something is wrong. Or, if it creeps toward a bad control limit, then it is a trend.

Ray Blivens, RCS
Q -- A couple of years ago, you were talking about your aging workforce. How is that going?
A -- Johnson -- We established a healthy apprentice program. The area we continue have problems with is operators (3.5 year training program). There are some delays in retirements due to the economy. Still 38-40 percent are eligible to retire in five years.

Carol Opatrny, Powerex
Q -- You said there was the possibility of a two-year rate case?
A -- Meyer -- We haven't decided that yet.

Michael Early, Alcoa
Q -- PBL is largely dependent on how aggressively it implements the Cost/rate adjustment mechanism. Are you influencing that? (Question refers to cash reserves contributed by TBL that may be taken by PBL if it doesn't raise its prices)
A -- Meyer -- We're talking about it. We will extend the rates if possible, but we have to have cash in the bank.

Michael Early, Alcoa
Q -- Cash or borrowing authority?
A -- Meyer -- Cash or cash equivalent. Something that we have access to.

Steve Weiss, representing NW Energy
Q -- One strategy BPA has on the table is using financial tools to push stuff out until the economy is better. Is this one tool where they borrow from the TBL?
A -- We've never done interfunctional loans in the past because the accounts have been in relative balance.

Steve Weiss, representing NW Energy
Q -- Is the table on page 5 based on current rates?
A -- Meyer -- Yes. It anticipates generators coming on in FY 2002-03.

Ray Blivens, RCS
Q -- To the extent that you can extend rates, we'd probably be willing to live with what you have here.

Steve Weiss, representing NW Energy
Q -- Conservation is out of PBL now, but to the extent those benefit transmission is there a process where TBL pays a portion of the conservation?
A -- Meyer -- This has been an ongoing debate since we began conservation. Working with that side where we can do non-wires alternatives to projects. We could cost share.

Steve Weiss, representing NW Energy
Q -- When the Northwest Power Planning Council evaluates cost-effectiveness of conservation, they also evaluate the benefits to the transmission system, but then they put it all on power usage. Transmission should be looked at.
A -- VanZandt -- It looks like there is a very good possibility that there is a DSM solution to at least one project. TBL funded the demand exchange. The need for the project must be strictly based on load.

Michael Early, Alcoa
Q -- I'm interested in how you deal with imbalance charges. Apart from the rate case, will there be terms and conditions changes?
A -- Meyer -- FERC's standard market design could affect how this turns out. Assuming the standard market design goes away, we could raise the issue of redispatch. At this point, PBL offers a no-cost redispatch. We're talking with them about it and will

continue those talks. We don't use it often. These out years that includes a small net margin doesn't include paying PBL for redispatch.

Steve Weiss, representing NW Energy
Q -- You're forecasting the break even point at some usage of the system (5500 MW). Aren't some generators going to displace some higher priced units?
A -- Meyer -- Yes, that's why I said with a long term contract. We need 5500 MW of incremental contracts.

Carol Opatrny, Powerex
Q -- Is that 10 or 20 year contracts?
A -- Meyer -- It's based on the total amount of sales as opposed to line by line through congestion points.

Carol Opatrny, Powerex
Q -- The information in this session has been very good and helpful.

Michael Early, Alcoa
Q -- How can we get more information?

Kennewick (July 24)

Chuck Dawsey, Benton REA
Q -- Speaking of p. 11, Vicki VanZandt presentation, TBL Capital Projects, Historical & Future Trends graph -- Alan (Courts) said there were no wires added to the system since 1989. This graph says otherwise.
A -- VanZandt -- This graph reflects all the uses of capital. Also, it shows finishing the 3rd AC Intertie in 1992-93 and work on Puget Sound Reinforcement Project, most of which was not wires.

Russ Derran, Hermiston Energy Services (City of Hermiston)
Q -- Does it help to put a generator in the right place?
A -- VanZandt -- Yes. If in Puget Sound, can only use the generator during the fall and summer. The path south during spring and summer is constrained. The generator at Klamath Falls does help the California-Oregon Intertie (COI).

Russ Derran, Hermiston Energy Services (City of Hermiston)
Q -- I've been on the Oregon Energy Facility Siting Council and found you cannot say no to a project due to lack of transmission. So it seems like placement would take care of that.
A -- VanZandt -- We can't say no, but we try to help with information about transmission availability.

Russ Derran, Hermiston Energy Services (City of Hermiston)
Q -- When is North of Hanford constrained?

A -- VanZandt -- It interacts with the interties. You can't do 100% at Hanford if 100% at COI. You can't do both.

Chuck Dawsey, Benton REA
Q -- What helps the Cross Cascade North path?
A -- VanZandt -- Shunt capacitors. They make the line look shorter. Also, the Schultz-Wautoma 500 kV line.

Chuck Dawsey, Benton REA
Q -- I thought you de-rated the interties.
Q -- VanZandt -- It's rated at COI at 4,800 MW, but often operates below that.

Chuck Dawsey, Benton REA
Q -- Do you have plans to bring it up to the full 4,800 MW?
A -- VanZandt -- We're not always able to operate it during the summer to the full 4,800 MW. It depends on which generators are running. If John Day Dam is running, yes, but not if we have to go to Coulee. We need supply close to the head of the intertie. The North of John Day project addresses this. COI has also been de-rated recently due to fires and a threat to our microwave station. If there were no RAS across the interties, then the capacity would only be 500 MW with the new reliability limits.

Chuck Dawsey, Benton REA
Q -- How much does fiber optics increase the complexity of your work and costs?
A -- Johnson -- No much. Getting fiber in helps. Getting the smaller rings of fiber in would help reliability. The O&M costs are less than for radio or for microwave systems, unless there are problems. Fires in southern Oregon are threatening some facilities now. Also, there is a limit on future radio frequencies.

Chuck Dawsey, Benton REA
Q -- What was the percent of the rate increase in 2001?
A -- Meyer -- It was 25% for revenues, but varied among customers according to services.

Chuck Dawsey, Benton REA
Q -- Where do the net revenue dollars go?
A -- Meyer -- Actual cash is managed in one central fund, which is primarily used to make Treasury payments and also to ensure low cost money. The transmission act o f1984required us to keep track and we could go back to 1974, so when we separated the business lines in 1996, we knew and now know who contributed the cash.

Chuck Dawsey, Benton REA
Q -- What's driving FY02-03 revenue?
A -- Meyer -- More generation. We expect about 4,200 MW of new generation by June 2003. We're fairly confident about this, but not all of it will result from incremental generation. Some will come from freeing up congested paths. We do plan on more sales and new contracts.

Mary Bauman, Franklin County PUD
Q -- Are net revenues what cover Treasury payments?
A -- No, at least not a required Treasury payment. The depreciation line is generally the payment. Depreciation and amortization is not always equal.

Chuck Dawsey, Benton REA
Q -- Some new transmission facilities are definitely connected with generators. Is the rate going to be designed that generators pay for them?
A -- Our policy is no transmission project on speculation. McNary to John Day 500 kV line is only to integrate generators. If we don't have these generators signed up, we don't do the project. If the project isn't paid for out of our average rate, we have the option to charge a marginal cost rate, but we would need a 7(I) process to do that. Contrasting to the McNary-John Day line is the Bell-Coulee line, which we need to make good on our existing contracts.

Chuck Dawsey, Benton REA
Q -- Doesn't the PBL have an obligation to repay the TBL?
A -- The issue is: are we able to access that cash when we need it?

Chuck Dawsey, Benton REA
Q -- What percent of transmission revenues come from full requirements or consumer customers?
A -- Meyer -- Some of our biggest users are not public power. Some months our largest is PowerEx. We have substantial non-public revenues.

Randy Gregg, Benton PUD
Q -- Should I separate the PBL and TBL and plan for a TBL rate increase? If the PBL decides to raise rates, will there be enough to repay the TBL?
A -- That's an issue. Where's the cash we can rely on.

Chuck Dawsey, Benton REA
Q -- Today it's in the customers' pockets.
A -- Yes, but the interfunctional loan process begins to address this issue. We've never paid one another for the use of that cash.

Chuck Dawsey, Benton REA
Q -- If FERC were to ask you what your reserve situation was, what would you tell them?
A -- There is not a dispute within the agency as to what the numbers are. But when it gets down to setting rates and we're projecting these lower margins, we need to know the money is available.

Chuck Dawsey, Benton REA
Q -- Does anyone really know how many dollars BPA has?
A -- We have augmented finance statements that covers everything. They contain good numbers up to today, but when we get into projections, it is more difficult.

Randy Gregg, Benton PUD
Q -- Can we find out about the cash distribution on the web?

Mary Bauman, Franklin County PUD
Q -- Is the PBL experiencing similar increases in corporate shared services?
A -- Meyer -- Yes.

Mary Bauman, Franklin County PUD
Q -- From this I don't get a sense of how many of the infrastructure projects will be completed by 2006.
A -- VanZandt -- Through G-9, maybe without Monroe-Echo Lake. Others will go out roughly to 2008. Siting issues are significant. People haven't seen this in awhile. Perhaps if the economy dips and so does load, we might have more time. It also depends on the vigor at which generators want to connect.

Mary Bauman, Franklin County PUD
Q -- Will additional revenue be generated, or will they have an impact on rates?
A -- Meyer -- 8,000 to 12,000 MW will come on line. If we get 5,500 MW, we will break even and at least for that reason, rates would not have to rise.

Randy Gregg, Benton PUD
Q -- How are transmission rates going to change?
A-- I really don't want to answer that question.

Chuck Dawsey, Benton REA
Q -- Whether the TBL increases rates or the PBL, our customers aren't going to care which. It's the total increase that customers have to pay. We've really pushed our customers as far as they will go.

Chuck Dawsey, Benton REA
Q -- Will the company rate reflect the embedded cost of the RTO? How is the company rate affected if you make the investments and then we have an RTO? Will we get better rates by waiting for the RTO?
A -- Meyer -- The infrastructure projects can't wait for the RTO. In addition, I don't know if it would make a difference in rates. We might have different options of who provides capital.
VanZandt -- We have contract obligations whether the RTO is there or not.

Chuck Dawsey, Benton REA
Q -- We appreciate all the work you've done.

Tacoma, July 25

Aleka Scott, PNGC

Q -- Does the McNary-Brownlee 500 kV line help get power into Idaho near Burley?
A -- VanZandt -- Yes, Idaho Power just completed the Boise-Bench reinforcement and this is for us to meet our obligations to Idaho utilities.

John Martinson, Snohomish PUD
Q -- No one has built much transmission and all these other utilities want you to make these reinforcements.
A -- VanZandt -- We are aiming for single utility planning. But not all utilities want to clear congestion. We're having bilateral discussions with other utilities to keep them focused on the right technology.

John Martinson, Snohomish PUD
Q -- Are some of these processes holding up progress?
A -- VanZandt -- Kangley-Echo Lake is one of our highest priorities, but no one has built anything for a long time and siting issues are tougher. We may have underestimated what it will take to get that sited. Without Kangely-Echo Lake, we can't get energy through to Canada to meet treaty obligations. While doing that, we also need to do good evaluations for these lines on non-transmission alternatives. We can't conserve our way through all of this, but some like the Olympic Peninsula project is all load growth, so maybe it will work there.

Steve Loveland, Springfield Utility Board
Q -- What about strategically placed distributed generation?
A -- VanZandt -- If it's for concentrated and consistent load, it's possible. But if site in this area, it would be good for fall and winter, but the power would have to go south in the spring and summer. The I-5 is clogged.

CV Chung, Tacoma Power
Q -- Freeing north to south paths from British Columbia could increase through flow to our area?
A -- VanZandt -- We're trying to do that with Kangley-Echo Lake, which is south to north reinforcement to fulfill our treaty obligations with Canada. We must treat that like load. This load center does need reinforcement. The Kangley-Echo Lake project will help make the north to south path available more often.

John Martinson, Snohomish PUD
Q -- One of the alternatives to the Kangley-Echo Lake 500 kV line was a 230 kV reinforcement. The MW loss at peak was large. It increased losses as much as 18 MW.

Unknown
Q -- Did the regional transmission planning group disband due to the RTO?
A -- VanZandt -- Maybe, but we don't have an RTO yet. The Power Pool are largely the same people.

John Martinson, Snohomish PUD
Q -- The NERDA board just agreed to continue until the RTO forms.

A -- Also, we've committed with our technical committee to review our infrastructure plans.

Aleka Scott, PNGC
Q -- Is there a list of Area & Customer Service projects? Are dollars included?
A -- VanZandt -- Historically, these have been identified by the utilities and we don't have a lot of lead-time. On the dollars, yes, but it tends to be a guess in the budget.

Rick Lovely, Grays Harbor PUD
Q -- When the RTO is formed, does BPA retain the fiber or does it go to the RTO?
A -- VanZandt -- Communications remains with the asset owner.

Frank Moses, Grays Harbor PUD
Q -- When you build a line and there is no fiber present, do you always add fiber? I'm thinking of the Thermopolis to Raymond line.
A -- Lahmann -- If there is no operational need for fiber and microwave can meet the need for some time, we don't add fiber.

Frank Moses, Grays Harbor PUD
Q -- What's the pickup time if a line fails versus maintenance time?
A -- Johnson -- Weeks if it fails.

Frank Moses, Grays Harbor PUD
Q -- My point is if you lose a line and it is down for weeks, wouldn't it have been better to have taken the outage for maintenance?
A -- VanZandt -- You could also have a power system fault that could cascade through the system.

Sue Kuel, Seattle City Light
Q -- Does BPA have insurance for bad poles? Our insurance is adamant that we replace poles before they become a hazard to reduce accidents.
A -- VanZandt -- We're self-insured.

Sue Kuel, Seattle City Light
Q -- Do you replace poles with more wood poles?
A -- Johnson -- Most are replaced with wood, but some are steel.

Aleka Scott, PNGC
Q -- Regarding Fred Johnson, page 8, O&M -FY02 Resource Breakdown chart. What proportion of Travel, Training, Misc. is travel and what training?
A -- Johnson -- 60% travel and 40% training.

Gary Shumate
Q -- Did you notice any changes in the budget when the TBL and PBL separated?
A -- Johnson -- I don't know if the separation has affected O&M or planning of facilities. One area where costs may be higher was splitting the scheduling and billing systems.

VanZandt -- Communications is more separate. Information that goes to one person, goes to all.

Gary Shumate
Q -- Are new facilities being designed with hot stick maintenance in mind?
A -- Yes. Our maintenance philosophy is we'll do it hot first.

Aleka Scott, PNGC
Q -- When you schedule an outage, how does that affect the PBL?
A -- Johnson -- We schedule 45 days out and post it on OASIS. PBL sees that like everyone else.

Rick Lovely, Grays Harbor PUD
Q -- Our cost for transmission has risen. In 2000 it was $2.3 million for a transmission PTP contract. This year it is $5.5 million.

Rick Lovely, Grays Harbor PUD
Q -- Was there a cost shift to Slicers? NT hasn't gone up as much.
A -- Meyer -- You are a Slicer now and before you were full requirements. Also, about $70 million in ancillary services products was transferred from the PBL to the TBL in the last rate case. TBL buys about $78 million in generation inputs from the PBL so we can sell you ancillary services. So, there is a general increase in PTP plus the ancillary services you weren't paying the TBL before Oct. 1.

Greg Gilbert, Tacoma Power
Q -- The other piece is that as a Slicer you had a great water year and moved more power.

Rick Lovely, Grays Harbor PUD
Q -- You're seeing significant increases in revenue. Will we see a corresponding net reduction in our costs?

Aleka Scott, PNGC
Q -- With the RTO, someone will have to pay to remove an outage. That is a huge disconnect from what you are saying.
A -- Johnson -- We're tracking our internal work plan. There is still some work to do.

CV Chung, Tacoma Power
Q -- Sounds like there will be more infrastructure and more aging equipment to take care of. Will all this catch up with you?
A -- Johnson -- We aggressively caught up with our bad actors from the early 90s. Our 10-year plan replaces equipment at the level we think we need. Our average age of equipment is going down.
VanZandt -- Replacement is an important component in addition to our build out.

Aleka Scott, PNGC

Q -- Was much of the operating revenues (Meyer, p. 2) due to energy imbalance and penalty charges?
A -- Meyer -- Some, but probably less than $5 million. Those also show on the other side of the balance sheet, so they are a wash.

Aleka Scott, PNGC
Q -- Were depreciation and interest in the rate case?
A -- Meyer -- Interest, yes. Plant in service, yes. Depreciation is a result of plant in service.

Unknown
Q -- The difference in depreciation between rate case FY01 and actual FY01 is $10 million. That seems high considering the amount of plant in service.
A -- Meyer -- There were also some other adjustments.

Aleka Scott, PNGC
Q -- Does FY05 and FY06 include the capital work you plan to complete?
A -- Meyer -- Yes.

Greg Gilbert, Tacoma Power
Q -- Where did the $43 million in net revenue in FY01 go?
A -- Meyer -- Either it increased our cash or it allows us to borrow more.

Greg Gilbert, Tacoma Power
Q -- The workforce is not up to the numbers. Are you assuming in these budgets that you will fill the positions?
A -- Yes. If not, we will spend less.

CV Chung, Tacoma Power
Q -- Are higher revenues something you could capture and correct for with forecasting?

Rick Lovely, Grays Harbor PUD
Q -- Are you concerned that the secondary market in short term sales could be oversold?
A -- Meyer -- We don't sell long term firm, from which this secondary market comes from, without knowing the transfer capability. But as we get more and more constrained, we may have to worry about that.

Rick Lovely, Grays Harbor PUD
Q -- Do you provide redispatch?
A -- Meyer -- The PBL offers it as long as it doesn't affect their costs. If we found that we oversold in the short term, we might buy transmission or curtail.
VanZandt -- One example is West of Hatwaii. We hadn't sold any new east to west service since 1996, but with two aluminum plants shutting down, generation from that area had to move east to west.

Rick Lovely, Grays Harbor PUD

Q -- Does the budget address the $1.3 billion in borrowing authority you are seeking from Congress?

Aleka Scott, PNGC
Q -- You could assume you will get the borrowing authority in a 2-year rate case, but if you don't get it have another rate case in between. Another strategy would be a 1-year rate case, or a 2-year rate case with a threat to come back after one year if needed.

Aleka Scott, PNGC
Q -- FY05 and FY06 assumes current rates?
A -- Meyer -- Yes.

Aleka Scott, PNGC
Q -- Isn't one option to do fewer projects?
A -- VanZandt -- We could do less, but which ones would we not do? If we take new generation off the table, those are the people we had planned to get the money up front from. For Bell-Coulee, we need to make good on our current contracts. There is also $162 million of capital under that. Do you not do wood pole replacements? We don't know about the Treasury borrowing yet, but we still have some support. We should know something by the end of September before we make our initial rate proposal. Third party borrowing could also help, but that could cost more due to increased interest rates.

Gary Shumate
Q -- Is there payment restructuring?

Aleka Scott, PNGC
Q -- Some previous program levels reviews were not rate case issues. What does that mean?
A -- Meyer -- Revenues are a rate case issue. Depreciation and interest are included because they are a function of program levels.

Jeff Shields, UBS Warburg Energy
Q -- To what degree can you change tariffs without a rate case?
A -- Meyer -- We can alter the terms and conditions at any time, but not the rates.

Jeff Shields, UBS Warburg Energy
Q -- How do you factor in Northern Lights projects in FY04-05 timeframe? That's in Alberta.
A -- Meyer -- It would get factored in to the extent that it would affect our sales or our cost structure.

Jeff Shields, UBS Warburg Energy
Q -- There are 2000 MW coming into the Mid-C that could displace generation.
A -- Meyer -- To the extent they integrate into our system, we would send them the bill.

Jeff Shields, UBS Warburg Energy

Q -- Is the $701 million revenue from long term contracts certain?
A -- Growth in FY02-03 is largely due to load growth, in addition to new generation.

Aleka Scott, PNGC
Q -- Do you have the dates in August for the rate case workshops?

Aleka Scott, PNGC
Q -- Is it possible to settle before an initial proposal?
A -- Meyer -- I don't know of anything that would prohibit that? With everything going on, some have asked us to avoid a TBL rate case. We may be able to do it if it's not contested and the earlier we know that the better.

Aleka Scott, PNGC
Q -- When will you decide on the tariffs?
A -- Meyer -- FERC's standard market design will largely set that. Without that, we would not substantially change our tariffs. PTP and NT have worked for us.

Aleka Scott, PNGC
Q -- I will talk among those in public power to see if they want a technical session.