



## TBL Programs In Review

Missoula, July 22, 2004

### Questions, Answers & Comments

Q1: Is all congestion going West?

A: In the cases of West of Hatwai and Montana to the Northwest connection, yes.

Q2: Of those employees that are eligible to retire, how many actually will?

A: During the recent economic slowdown the rate of actual retirement slowed down; however, with the economy picking up, we are seeing it pick back up.

Q3: Where do costs for wildlife show up?

A: TBL programs budget \$4 million for environmental activities; however most of the dedicated funds are in the environmental, fish and wildlife portion of the Power Business Line.

Q4: What are the possibilities of revisiting old contracts to review low use across constrained areas?

A: The ATC methodology looked at actual contracts versus actual usage of that contract. This is the "marrying" of the physics of the system (how the electrons flow) with the traditional contract accounting methods.

Q5: In your "Vegetation Management" chart (Appendix slide 9), is there a breakout of trees within the right of way versus trees coming from outside the right of way?

A: The chart includes impacts from all trees.

Q6: How does third-party financing affect treasury borrowing ceiling?

A: Non-treasury financing allowed us to finance the Schultz-Wautoma project without having it score against our borrowing authority with the U.S. Treasury.

Q7: Is third-party financing a cost-effective means compared to Treasury?

A: It's not as good as Treasury but with today's interest rates it is pretty close.

Q8: On a typical 500-kV project, what are the costs associated with the environmental work?

A: Generally it takes about 2 years and \$5 million to complete an environmental impact study (EIS).

Q9: For your capital replacement strategy, are you considering looking at working with other transmission providers?

A: Grand Coulee-Bell is an example of joint reinforcements and replacements in partnership with another transmission provider.

Q10: At what point do we need to do more than load control and cost reductions? Does BPA have anything beyond these goals?

A: Better use of technology and improved and new work practices will continue to help us get more out of the existing system. More strategic mix of FTE and contractors should help us manage budgets. However, we can't sustain this downward trend of reduced FTE and cost cuts – a \$4 billion transmission system needs experienced feet

on the ground to maintain and good people at the controls to operate and manage. So, with all other options depleted and levels reduced, the only other option is a rate increase, but this would need to be done prudently.

Q11: In the past you have shared concerns with the demographic challenge of an aging workforce, is that still the case?

A: In the past it was tough to compete with such sectors as high-tech; however, we are in much better shape today to attract new talent.

Q12: What FERC orders has BPA had to comply with?

A: Orders 888 (open access transmission provider) and 889 (standards of compliance), Order 2003 (large generator interconnection) and Order 2004 (updated standards of compliance). With respect to standards of compliance, to whatever degree we accomplish the One-BPA strategy, we will still continue to comply with these orders.

Q13: With the cancellation of the McNary-Brownlee line, the East to West corridor may be maxed out, but this limits the marketability of Montana generation to access other markets. What are chances of un-canceling this project?

A: It's easy to un-cancel a project but we would then have to conduct a reassessment of the project's needs.

Q14: Is there a master plan for responding to new social and market conditions such as accommodating renewables as an expanding part of the portfolio?

A: This highlights the need for regional planning efforts.

Q15: Will NTAC and RMATS come together?

A: TBL coordinates with other transmission providers but in multiple forums.

Q16: Will the proposed Libby reinforcement remove stranded power from generation?

A: Once it is connected to the Spokane area, yes.

Q17: How would bare-handing help in replacement of 250,000 spacer-dampers?

A: It would reduce the replacement cycle from 42 years to 16 years. The average life of a spacer-damper is 20 years. There are other replacement work methods that would improve results such as replacement via helicopter which can replace 250 per day. Currently, ground crews are able to replace about four to five per day.

Q18: Why did substation operation expense decrease?

A: It's a question of finding skilled talent which is increasingly difficult.

Q19: If business turns around and revenue outpaces projections, what would happen?

A: This might result in a rate reduction for the next rate period, but whenever a revenue excess is created we apply that to building our reserves to pay off Treasury debt.

Q20: How much would the scenario change with a \$1 billion appropriation to build transmission? This pot is being stirred for multiple specific projects.

A: There would need to be the basic maintenance and operation expense budgets allocated to support those projects as well as whatever capital replacements or upgrades may be necessary in the out years. Otherwise it would be a question of incremental revenue from the new projects versus depreciation of those capital investments.

COMMENTS:

- C: There is some merit to portions of a regional ISO such as in scheduling and regional planning which, to some degree are being covered in NTAC.
- C: For larger transmission projects it's a real dilemma in determining who will pay, but there is also a tremendous amount of coordination that needs to take place.