



TBL Programs In Review Tacoma, June 24, 2004

Questions, Answers & Comments

- Q1: What is the status of 3rd party financing of scoring against borrowing authority with OMB?
- A: OMB determined with respect to statutory it was okay, but there are questions on policy. OMB is actively pursuing a policy decision that would essentially pull additional financing under treasury cap. BPA would run out of capital by 08-09.
- Q1b: Would there be a limit?
- A: The Office of Management and Budget (OMB) wants current treasury cap to be limit for all borrowing – including third party.
- Q2: What is ratio of revenue financing? **Request workshop on TBL financing.**
- A: We are planning for revenue financing of \$15 million per year. That is approximately 5% of the current level of TBL's total planned capital spending for the FY06-07 rate period. This topic will be covered more in PIR and Rate Case workshops
- Q3: Please provide a breakdown of significant revenue drops. What is happening on the Intertie?
- A: 1000 MW from PBL, 1000 MW from DSI, 1400 MW from 2 customers alone – all in long-term firm transmission contracts. Please refer to the appendix documents to see additional revenue details for both the Intertie and the Network. "Network Revenues FY01-04" and "Intertie Revenues FY01-04."
- Q4: If revenues fall short, how does this affect the maintenance program?
- A: It doesn't.
- Q5: Any problem with legal challenges on tree-trimming?
- A: After the 1996 west coast event, the importance of maintaining right-of-way vegetation was well publicized and made it somewhat easier to work with land owners in managing vegetation along the system. Today, BPA continues to work closely with land owners and tribes to mitigate political costs and keep the right of ways clear.
- Q6: Are the results on slide 37 in the Appendix, "Reliability is Important," adjusted for weather?
- A: No adjustments have been made.
- Q7: Monroe-Echo Lake was identified as a candidate for non-wires, any progress?
- A: Only analysis at this time.
- Q8: With flow-based ATC are you looking at switching to flow-based rights?
- A: TBL is starting a discussion and work group with customers out of the business practices technical forum on zonal scheduling.
- Q8b: Would this apply to redirects?
- A: Yes

- Q9: In light of revenue shortfall, what is keeping TBL from overselling across a cut plane thereby forcing a customer into absorb curtailments?
- A: TBL, as transmission operator is strictly following the ATC methodology.
- Q10: On ATC example, load shifts all the time (i.e. maintenance outages) and it seems that other utility's generation would add additional complications. How does the methodology account for this?
- A: These are factors outside of BPA's control; however, the methodology took all of these into account.
- Q11: Did costs associated with the G1 infrastructure project increase due to mitigation measures?
- A: Significantly. Kangley-Echo Lake alone final costs came in at \$63 million.
- Q11b: Given the timing of the energization of Kangley-Echo Lake "just in time" for the 04 cold snap, were any lessons learned?
- A: BPA had many other protective measures in place including safety nets, load shedding and remedial action schemes; however, we need to better consider risks on such projects.
- Q12: How far is BPA willing to go with political costs?
- A: There is a balancing act BPA must maintain in political negotiations; however, if using the \$6 million payment to the city of Seattle as an example – that payment includes future services the city will provide including: security, ongoing monitoring and right-of-way maintenance.
- Q12b: What are the projected political costs for a Monroe-Echo Lake project?
- A: This is a non-wires consideration. While our first concern is reliability, we must also consider the political and environmental ramifications. BPA is always looking for the best possible compromise when balancing these interests.
- Q13: Need the ability to discuss issues such as PSANI around the rate case so they can be addressed specifically.
- A: TBL will engage with customers on how specific curtailments are handled and we have been having specific meetings to handle the issue of PSANI. The issue is not of reliability but of availability and adequacy.
- Q14: Given reliability is met, how firm is firm?
- A: It's true that engineering definitions of firm may not necessarily meet the market definition of firm. However, the industry has still not yet defined "firm" and that is a fundamental issue that must be addressed in order to answer this question.
- Q15: Are you leveraging technological advancements to "squeeze more" out of the system?
- A: Yes. We use a significant number of Remedial Action Schemes and other controls and communications that help us get more from the existing system. We are also looking at replacement technology (i.e. breakers) that we hope will do the same.
- Q16: Curtailable Firm: Recommend not putting off due to systems. Develop now so that when systems are in place you can implement.
- A: TBL needs to be able to administer such a new product. Need definition of 'firm.'
- Q17: What is the timeline for implementing asset management?
- A: In time for the upcoming rate case.

- Q18: With respect to bare handing, what is your strategy on changing state law?
A: Strategy is that BPA is a federal agency. Issue will be with unions.
- Q19: Timeline for One BPA?
A: This depends on type of function being consolidated but over next 18 months there will be consolidation.
- Q20: Debt optimization has been kept a secret. When will this be exposed? Who is responsible for this and how are the business lines involved?
A: Corporate finance handles this. We will discuss in upcoming rate case workshops.
- Q21: Does FTE reduction lead towards contracting services?
A: Yes, provides more flexibility in expense budgets.
- Q:22 If you are predicting a 10% staff reduction, how will this impact your smaller facilities?
A: Can't forecast at this time, but continued maintenance and service of any facility, no matter the size, is important to the health of the overall system.
- Q23: Has BPA looked into the Federal Inventory Reduction policy with regard to staff reduction?
A: BPA is not aware of a government program called Federal Inventory Reduction. However, if the reference is to the FAIR (Federal Activities Inventory Reform Act) Act process, BPA did not consider this for staff reduction.
- Q24: How is Grid West impacting expense budgets?
A: \$4 million in FY06 and \$2.9 million in FY07. This could increase if a TOA is signed and implemented.
- Q25: What is the current status of the transmission queue? The interconnection queue?
A: The current state of the transmission queue is now posted to the TBL web site: Please click on "Long Term Request Queue Worksheet" at the following link http://www2.transmission.bpa.gov/Business/Reserve_and_Schedule_Transmission/. The generation interconnection queue is separate from the long-term transmission queue but there are a number of generators currently undergoing study. Information on these studies can be accessed by signing a non-disclosure form (available through the TBL web site at: <http://www2.transmission.bpa.gov/PlanProj/netplanning.cfm>) and submitting your request to studyrequest@bpa.gov. TBL will be adopting FERC's Order 2003-A on standardizing interconnection procedures and agreements for generators larger than 20 MW. For new generators, a firm transmission agreement is often a pre-requisite for determining whether or not to move forward with interconnection and therefore adds to the importance of advancing through the transmission queue. For further details, TBL will be holding a Transmission Queue Management Workshop on August 3, 2004. Details are available on the TBL web site.
- Q26: With respect to FERC Order 2003-A on large generator interconnection will BPA direct assign and what is the exposure to existing customers?
A: TBL will be taking the direct assignment policy into the upcoming 7i rate case.
- Q27: Will there be any public meetings on the upcoming McNary-John Day open season?
A: Yes, July 7.

Q27b: What will TBL's participation in the McNary-John Day project be?

A: McNary-John Day is a market-driven project and we intend that it be wholly-financed by transmission customers requesting incremental transmission service.

Q28: Are there additional capital expenditures related to Homeland Security?

A: There are in both Expense and Capital.

Q29: What about the load forecasting work being done in NTAC?

A: Most load forecasters don't have the opportunity to get together with their counterparts and they have their own techniques. This allows these folks to share information and techniques that will hopefully bring more standard practices to the region.

Q30: Where is fiber optics?

A: Most of the build has already occurred and there just remains some minimal work in creating back-up loops on the existing system.

Q31: Are you using reliability-based criteria for your breaker replacement strategy?

A: Yes.

Q32: Is moving to a common OASIS in the budget?

A: TBL is not planning to move to a common OASIS within FY06-07; however, this is under consideration for FY05. Standard maintenance for OASIS is in the budget for FY06-07.

Q33: Depreciation is a non-cash expense, how does that map out?

A: Depreciation is currently equal to amortization.

Q34: Can TBL buy ancillary services on the open market?

A: Yes, but not planned for 06-07. However, generation inputs would still be affected by any change in PBL rates.

Q35: Have you benchmarked administrative overhead per transmission mile?

A: There is currently no benchmark for corporate overhead associated with capital programs. Corporate overhead is spread over all capital programs including replacements and upgrades that may not necessarily add miles to the transmission system.

Q36: How is the maintenance program prioritized? Where does low-voltage fit in?

A: Priorities in the maintenance program from highest to lowest are as follows: WECC and OB-19 Significant equipment; corrective maintenance to respond to emergencies; and preventive maintenance on all other facilities to serve the best needs of the local area.

Low-voltage is defined by 115 kV or lower. Using FY03 as an example, \$19 million of the \$70 million maintenance program is budgeted to direct maintenance of all facilities on the system. Of this \$19 million, \$3.2 million was spent on facilities (lines & substations) 115 kV and below.

Q37: Corporate G&A numbers don't match with administrator's rhetoric of cost control, please explain. Customers need to understand better as we see no efforts such as FTE reduction.

- A: G&A includes staffing for new risk management office and RTO/Grid West. We will hold a workshop on further explaining G&A costs that will involve corporate finance.
- Q37b: What help are you getting from corporate?
- A: We continue to work with corporate to the extent we can.

COMMENTS:

- C: Puget Sound reliability is still a big issue and concern.
- C: TBL should spread PSANI redispatch costs given the regional benefits that the Canadian Entitlement has provided for.
- C: Thank you for cost cuts.
- C: Supply chain to be complimented. With success across TBL and BPA, now starting to look at inviting other utilities to participate across the region.
- C: Make revenue requirements part of rate case otherwise there is a disconnect. Provides a better ability to look at trade-offs.
- C: On the Puget sound are EIS, BPA is doing a lot of the heavy lifting but it is a good example of an overall effort by all parties involved in a cooperative atmosphere.
- C: We appreciate you bringing the update on G20 out front and in the open.
- C: Kudos on the line-cleaning project in Snohomish.
- C: We are concerned about the state of agency-wide financing. Specifically, reduction of interest debt and avoiding cross-subsidization.
- C: We are concerned that TBL is projecting trimming its transmission planning and analysis group (compared to FY01-03). This is an important function as part of BPA's leadership role in the region.