



## **TBL Programs In Review**

### **Idaho Falls, June 11, 2004**

#### Questions, Answers & Comments

Q1: What is the close-out letter?

A: The Administrator will make a decision based on feedback from the PIR process and determine what the program levels will be proposed in the TBL rate case.

Q2: What is meant by Ancillary Services?

A: These are the services that every transmission customer must acquire (or supply). They include: 1) scheduling, system control and dispatch; 2) reactive supply and voltage control from generation sources; 3) regulation and frequency response service; 4) energy imbalance service; and 5) operating reserve—spinning reserve service.

Q3: How can Seattle City Light continually undercut BPA's transmission rates for supplying operating reserves?

A: SCL's business model appears to be the BPA rate minus 10%. They have generation at Boundary and Skagit that they can use in order to offer this operating reserve and spinning reserves to BPA transmission customers.

Q4: When long-term PTP transmission is re-sold, how is it priced?

A: Long-term transmission can't be re-sold for more than the BPA rate. It is up to the owner of the transmission to decide how much they are willing to discount BPA transmission sold in the secondary market but we have heard of prices as low as 20 to 30 cents on the dollar. TBL has tried discounting but it just can't match the market.

Q5: As the ATC methodology was developed, are transmission constraints adjusted?

A: The ATC methodology allows us to identify constraints and to what degree on an ongoing basis. Where a constraint may disappear, the methodology would be updated to reflect that.

Q6: Did the ATC methodology take into account counter-flow?

A: Yes.

Q7: Are you considering consolidation of PBL and TBL in your efforts?

A: The two business lines are doing an analysis of where we have overlaps and certain efficiencies may be obtained through consolidation. These include areas such as account executive services, billing, metering and even scheduling; however, these potential overlaps and efficiency opportunities must be considered in line with Standards of Conduct criteria.

Q8: Is BPA considering dropping SOC compliance?

A: No.

Q9: What are your plans for the Burley, Idaho field office?

A: We are continuing to look at the need for this office and whether consolidation of our Burley personnel in Idaho Falls will result in savings. We are committed to a

presence in Southern Idaho but also understand your desire that we look for efficiencies in our field operations. Challenge is to maintain reliability with minimal facilities covering lots of land.

Q10: You talk of reductions of FTE and the addition of contractors but where do the two meet?

A: As efficiencies are defined, our use of contractors will be better identified.

Q11: Is the Dittmer Annex to improve security? What are the costs associated with increased security?

A: The last couple of years since 9/11 have seen significant upgrades to security (evident at the Ross Complex) in the order of \$2 million. These costs include an increased security force and in response to increased activity at substations and other facilities. (Note: The Dittmer Annex is being investigated in order to look at whether it would be less costly for us to consolidate all Vancouver personnel at Ross relative to continuing to lease office space at Van Mall).

Q12: Does the wood pole strategy reflect the increase to replacing 2,500 per year?

A: Yes.

Q13: Can you explain the difference between system replacement costs and depreciation?

A: Our system replacement program is proposed at \$70 million in direct capital costs.

Q14: With respect to depreciation as an accounting mechanism, shouldn't the produced cash be used for maintenance of the system?

A: Correct, but it is roughly equivalent to amortization so there is nothing left.

Q15: Shouldn't there be increases in maintenance costs given increased capital replacement program?

A: Maintenance is an expense program and the replacement program is a capital program so the two are separate.

Q16: With the software development effort having cost overruns, do the costs for FY04 represent accurate projections for scheduling automation?

A: The costs associated with scheduling automation are shared between capital and expense; however, for this program the costs we are seeing this rate period are more than what was projected.

Q17: With respect to FTE reductions, have you made any current progress?

A: Field Services has taken the majority of the cuts this rate period. Since the beginning of 2004 we have reduced 41 FTE. (Note: TBL wide we have reduced FTE by 48).

Q18: Have you researched where contractors for tree trimming would come from? Last year it was hard to find tree-trimmers as BPA had them all under contract.

A: We will leverage long-term alliances with local utilities and are seeing an improving marketplace for these types of services. We will continue to work with customers to deliver solutions.

Q19: Is reactive generation and supply fixed or variable?

A: TBL uses the FERC methodology.

Q20: Are reactive inputs that TBL relies on only purchased from the PBL?

A: Yes.

Q21: Is the voltage level for defining the delivery charge segment in TBL rates going to change in the next rate case?

A: We have not discussed and have no plans to propose a change in the delivery segment voltage level. It may be an issue that other customers will want us to address in the upcoming rate case. (Note—The rate BPA charges for low voltage delivery will be set in the rate case and could well increase. TBL is still seeking to sell remaining low voltage delivery substations and equipment its customers)

Q22: Can you provide some metrics on the cost of reliability?

A: Please see slide in Appendix "Reliability is Important: Outage Frequency." We are also developing adequacy standards which will give a better baseline of what "adequate" means.

Q23: Is the revenue shortfall impacted primarily by reduced short-term market sales?

A: Short-term usage is down; however, there are long-term contracts from DSI's and marketers totaling more than 3,000 MW that will not be renewed.

Q24: Given program levels, what is the rate impact?

A: We don't know yet. Rate impact depends to a large extent on revenue projections.

Q25: Can you provide a best and worst case scenario for how rates will be impacted? Is there any chance of a rate decrease?

A: I can't give you a range at this time. There is no chance of a rate decrease. However, TBL is doing all it can to reduce costs and increase revenues.

#### COMMENTS:

C: Happy to see BPA considering counter-flow as this was not accounted for in the RTO. *For NT service loads can be netted against generation at constraint point ; however, for Point-to-Point transmission, the WECC doesn't allow netting of generator to generator flows. It is a balancing act.*

C: Nice to see PBL and TBL working together on meter data. *This is an area that management has identified as a redundancy and an area we hope to consolidate and gain efficiencies.*