



Power Function Review Process

Power Function Review Purpose

After a large BPA power rate increase in 2002 and ongoing scrutiny and reduction of many budget items, the level of interest from customers, constituents and Tribes in the costs that go into BPA's rates is higher than ever before. In response, and consistent with BPA's desire to increase the transparency of decisions that impact rates, BPA will provide clear information on those costs, along with robust opportunities to provide input into BPA's cost decisions prior to the publication of the 2007 power rate case initial proposal.

Power Function Review Parameters

The rate case is a formal hearing process with a Hearing Officer which sets rates based on costs. The Power Function Review is a collaborative informal process designed to lay out the major program costs and seek customer feedback and suggestions for each program area prior to these numbers being included in rates.



Power Function Review Objectives

PFR: Desired Outcomes

1. Power rates reflect lowest practical costs to meet BPA's objectives
2. Comments we would like to hear from customers, constituents and tribes at the end of the process:
 - BPA staff were very responsive to my information requests.
 - BPA staff were clearly interested in my input and tried to respond to it.
 - BPA staff were clear about how they use my input in making decisions.
 - The costs going into the BPA power rates, and reasons for them, are clear to me.
 - BPA and its partners are very committed to making costs as low as they can reasonably be while still accomplishing objectives.



Power Function Review Topics

The PFR is BPA's public involvement process for:

The costs that go into power rates, with a primary focus on the nine major program areas that make up the bulk of power costs. These are listed below in order of magnitude:

1. Federal and Non-Federal Debt Service and Debt Management (discussion)
2. Columbia Generating Station operation and maintenance costs and capital investments (decision)
3. Corps of Engineers and Bureau of Reclamation operation and maintenance costs and capital investments (decision)
4. Transmission acquisition costs (decision where applicable)
5. Fish & Wildlife program expenses and capital investments (decision where applicable)
6. Internal operations costs charged to power rates (decision)
7. Conservation program costs (decision where applicable)
8. Renewables program costs (decision where applicable)
9. Risk Mitigation Packages and Tools (discussion)



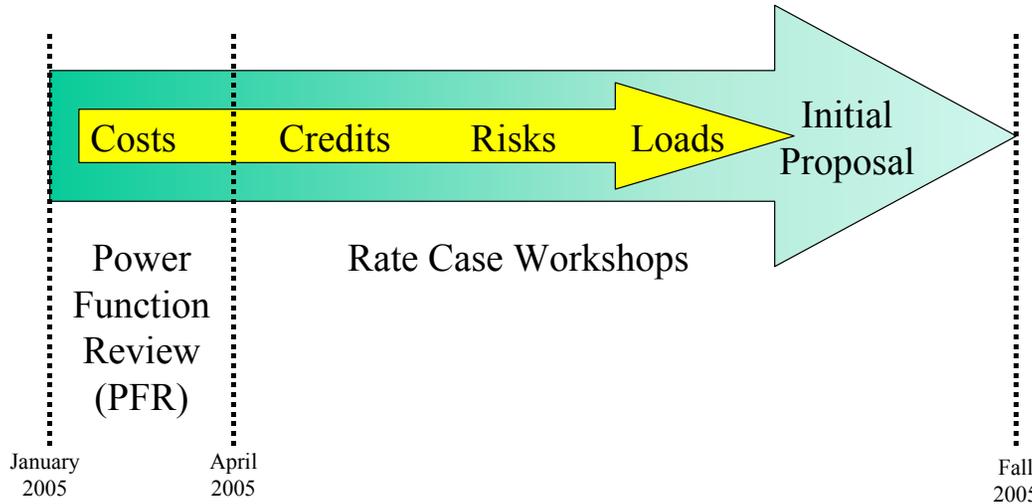
Power Function Review Process

The decision process for these topics is the Rate Case:

1. Loads and Resources
2. Revenue Credits, including Secondary Sales Revenues
3. Reserve Levels
4. Rate Design
5. Rate Level



BPA Rates Overview



- BPA's rate case addresses what BPA should charge for its power and transmission services; it does not decide what the nature or expense levels of BPA's services should be.

$$\frac{\text{Costs} - \text{Credits} + \text{Risk}}{\text{Loads}} = \text{Rate}$$

- Costs (PBL's total revenue requirement) are allocated to customer groups according to directives in federal law. The allocated revenue requirement divided by the customer group's estimated power use ("load") equals the rate (price per unit of power) for that customer group.