B O N N E V I L L E   P O W E R   A D M I N I S T R A T I O N

BPA 75 YEARS 1937-2012 SERVING THE NORTHWEST

QBR Follow Ups

October 30, 2012

- Correction: The February QBR will be held February 5.

- Where does the Slice True-Up show up in the financials?
  - Line 1 of the Power income statement on slide 13 of the QBR package in the Gross Sales category.

- On page 114, how are the Composite and Non-Slice Cost Pools' interest credit amounts calculated?
  - The calculation of the Composite Cost Pool interest credit is described in the Tiered Rates Methodology. It starts with the pre-2002 amount of reserves attributed to Power. The total was $495.6 million. It can be adjusted over time for any pre-2002 settlements and payments that are not otherwise distributed to Slice customers. Adjustments to date total $74.655 million producing total reserves for the Composite Cost Pool of $570.255 million. This total is then multiplied by an assumed interest earnings rate for the period in question, resulting in the Composite Cost Pool interest credit. The Non-Slice Cost Pool interest credit is the difference between the Composite Cost Pool credit and the total interest credit for Power. This treatment is described in the Tiered Rate Methodology, section 2.5.

- Where do the costs related to oversupply show up?
  - Currently, oversupply costs are strictly a balance sheet transaction (i.e. not included on the income statement or in net revenue). The ongoing treatment of these costs will be decided in the oversupply rate case coming up. Once a treatment is established, the costs on the balance sheet will be recognized in the appropriate expense/revenue categories and will affect net revenue.

- Where did the $2.7 million for Green Energy Premium Revenues come from? If from forward sales of RECs, why wasn't this amount realized in 2012?
  - BP-12 rate case assumed for FY 2012 that all PF customers that had the option to purchase RECs would exercise their full rights for a total of ~40aMW for a revenue forecast of $2.7 million. Actual elections came in at ~14-16 aMW and at a lower price the FY 2012 REC revenues came in at ~$300,000.

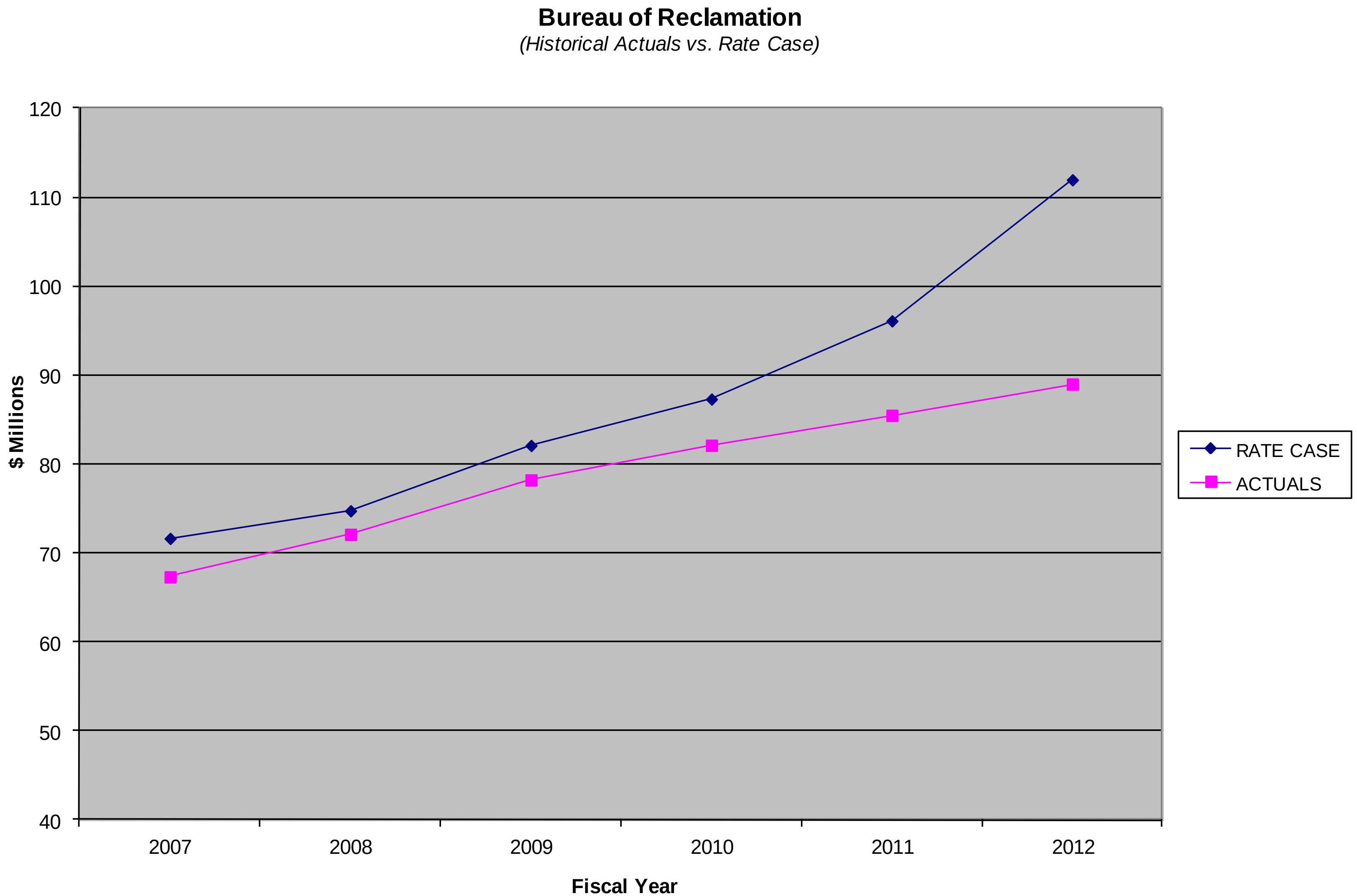
- In FY 2012, how much transmission acquisition was related to secondary sales and how does that compare with what was in the rate case?
  - The actual transmission acquisition in FY 2012 related to secondary sales was $82 million, while the rate case assumed $61 million.

- What is being done to prevent the under-run by the Bureau of Reclamation in the future?
  - The significant under execution is primarily due to the schedule change associated with the Grand Coulee Third Powerplant (TPP) overhaul contract but is complicated by all the pre-overhaul work at the plant, which is affecting both routine and non-routine maintenance work. Reclamation has slightly under executed in the past but was reasonably close to budget. It's just been the last 2 years, as work has ramped up at Grand Coulee, that we've experienced a larger variance from the actuals to rate case.

    Reclamation does have a plan to address this. As discussed in the IPR, Reclamation is adjusting to the extremely high workload by realigning and adding resources necessary to achieve within year budget execution, especially that associated with the TPP overhaul. Reclamation expects to be on track this fiscal year to fully expend the budget, as it's critical that we accomplish the overhaul as quickly as possible.

    BPA is currently reviewing performance of some of the larger programs across Power, in particular. These findings may result in changes for how BPA will manage budgets in the future, but it is too soon to tell what the outcome of this analysis will be.

- What is the historical performance for the Bureau of Reclamation compared to rate case?



- From the Transmission Service Revenue by product (pg. 11), what was the exact amount of Persistent Deviation penalties? Did this amount flow back to Power through Gen Inputs Credit?
  - Total EI/GI revenue for FY 2012 (accounting view) is $6.0 million with $1.8 million of it being Persistent Deviation ($0.3 million for EI PD and $1.5million for GI PD).
  - EI/GI revenue that T collects from customers for being the provider of the Ancillary & Control Area Service is expensed as a pass-through to P for being the supplier of the generation inputs.
  - P recognizes the EI/GI revenue under Inter-Business Unit/Gen Inputs for Ancillary and Other Services (400003).

Fiscal Year	2012					
EI/GI	**DEVIATION**	**BAND 1**	**BAND 2**	**BAND 3**	**PD**	**TOTAL EI/GI**
EI	POS DEV	$ 902,194	$ 1,991,780	$ 222,911		$ 3,116,885
	NEG DEV	$ (744,056)	$ (1,566,203)	$ (62,150)		$ (2,372,409)
	Persistent Deviation				$ 254,092	$ 254,092
NET EI		**$ 158,138**	**$ 425,577**	**$ 160,761**	**$ 254,092**	**$ 998,568**
GI	POS DEV	$ 889,880	$ 12,483,706	$ 279,008		$ 13,652,594
	NEG DEV	$ (638,833)	$ (9,464,846)	$ (48,411)		$ (10,152,090)
	Persistent Deviation				$ 1,519,643	$ 1,519,643
NET GI		**$ 251,047**	**$ 3,018,860**	**$ 230,597**	**$ 1,519,643**	**$ 5,020,147**
TOTAL EI/GI		**$ 409,185**	**$ 3,444,437**	**$ 391,358**	**$ 1,773,735**	**$ 6,018,715**