

Quarterly Business Review

January 31, 2011



Time	Min	Agenda Topic	Slide #	Presenter
1:00	10	Introduction and Background, Follow Ups from Last QBR	2-4	Mary Hawken
1:10	45	Financial Highlights - Review of 1 st Quarter FY 2011 Financial Results - Review of 1 st Quarter Forecast	5-21	Brian McConnell, Brenda Weller & Kelly Miller
Operational Excellence				
1:55	5	Operational Excellence at BPA	22-25	Marchelle Watson
2:00	20	Supply Chain Savings in FY 2010	26-33	Thomas Olesen
2:20	15	Vegetation Management Quality Assurance/Quality Control	34-43	Aaron Sundberg
2:35	15	Break	~	~
2:50	15	Getting Value Through Compliance	44-55	John Hairston
Around the Agency				
3:05	15	Update on the Transmission Services Facility Project	~	Kim Leathley
3:20	20	Lease Financing	57-62	Nancy Mitman, Don Carbonari, Jinah Nakaji
3:40	10	IPR Evaluation	63-64	Mary Hawken
3:50	10	Questions, Comments, Future Meeting Topics		Mary Hawken
4:00	~	Adjourn		
		Appendix 1 - Power and Transmission Services Detailed - Statements of Revenues and Expenses	65-72	
		Appendix 2 - June 8, 2010 Debt Management Workshop Access to Capital/Lease Financing Presentation	73-84	

Background of QBR



- In the Regional Dialogue Policy, BPA committed to a model which provides extensive opportunity for stakeholders as well as customers to review and give input to our forecasts of spending levels prior to finalizing them. The Integrated Program Review process we just completed is one part of the overall Integrated Business Review structure. It is designed to allow persons interested in BPA's program levels an opportunity to review and comment on all of BPA's expense and capital spending level estimates in the same forum prior to their use in setting rates. BPA intends to hold an IPR every two years, just prior to each rate case.
- The Quarterly Business Review (QBR) is the second part of the Integrated Business Review structure BPA committed to in the Regional Dialogue, and it is intended to be a forum to provide financial forecasts, current financial results compared to forecasts, periodic updates to capital plans as they change, and information on upcoming issues that could have an impact on future financial results.
- More information can be found at <http://www.bpa.gov/corporate/Finance/ibr/>

Last QBR Follow Ups



- Follow ups from the November 2, 2010 QBR have been posted on the QBR website at <http://www.bpa.gov/corporate/Finance/financialOverview/index.cfm#quarterly>

- Follow ups address questions on the following topics:
 - Power Services Financial Results, and
 - Transmission Capital Financial Results.

Financial Highlights



Customer Collaborative

Financial Overview for FY 2011 through December 31, 2010

**■ Power Services**

- Power Services Net Revenues through December are \$23 million.
- The Start-of-Year estimate for the year is (\$42) million and the Rate Case forecast is (\$4) million. The 1st Quarter Review forecast is (\$89) million, a \$47 million decrease from the SOY forecast.
 - Power Services Total Operating Revenues to date are \$685 million.
 - Power Services Total Expenses (operating expenses and net interest) through December are \$662 million.
- First Quarter results reflect the fact that expected annual streamflows are down and market prices have fallen considerably since we set our start-of-year projections. The streamflow forecast used for the 1st quarter forecast is about 2.5 million-acre-feet lower than that used for the SOY budget. There are indications that power prices will remain soft throughout this fiscal year, putting downward pressure on net secondary revenues.
- Some of this revenue shortfall is offset by reduced spending, most notably in the Residential Exchange Program and transmission expenses.
- Since it is early in the fiscal year, there is a large amount of uncertainty in several factors, such as hydro conditions, electricity market prices, and Columbia Generation Station operations, which will influence this year's financial results for Power.

Customer Collaborative

Financial Overview for FY 2011 through December 31, 2010



■ **Transmission Services**

- Net Revenues through December are \$27 million.
- The Start-of-Year estimate for the year is \$82 million and the Rate Case forecast is \$51 million. The 1st Quarter Review forecast is \$80 million, a \$2 million change from the SOY forecast.
 - Transmission Services Revenues through December are \$218 million.
 - Transmission Services Total Expenses (operating expenses and net interest) through December are \$191 million.
- Based on the First Quarter forecast, Transmission Services is still expected to come within its start of year target range of \$67 - \$114 million.

■ **Agency**

- Net Revenues through December are \$50 million.
- The start-of-year estimate is \$32 million and the Rate Case forecast is \$59 million. The 1st Quarter Review forecast is (\$24) million, a \$56 million decrease from the SOY forecast.
- Net secondary revenue forecast is down due to lower than anticipated prices as well as less expected surplus energy compared to SOY, which is contributing to the lowered forecast.
- Salaries in the operating expense forecast were reduced by approximately \$3 million as a result of incorporating the Federal employee pay freeze for all salaried employees.



**Federal Columbia River Power System (FCRPS)
FY 2011 FIRST QUARTER REVIEW**

Net Revenues and Reserves

Projection for FY 2011



January 27, 2011

1st Quarter Review – Executive Highlights

FY 2011
EXECUTIVE HIGHLIGHTS
January 27, 2011

(\$ in Millions)

	A FY 2010 Audited Actuals without Derivative Effects & Bookouts ^{1/}	FY 2011 Current Expectation		
		B FY 2011 SOY without Bookouts ^{2/}	C without Bookouts ^{2/}	D with Bookouts
1. REVENUES	3,161.1	3,307.9	3,156 - 3,407	3,182 - 3,433
2. EXPENSES	3,303.5	3,275	3,274 - 3,352	3,300 - 3,378
3. NET REVENUES ^{3/}	(142.4)	32.4	(118) - 55 ^{6/}	(118) - 55 ^{6/}
4. END OF YEAR FINANCIAL RESERVES ^{4/}	1,113.6	929	816 - 1,002 ^{6/}	816 - 1,002 ^{6/}
5. BPA ACCRUED CAPITAL EXPENDITURES ^{5/}	762.3	696.7	801.8	801.8

Footnotes

- 1/ Does not include mark-to-market adjustments required by derivative accounting guidance as amended or reflect the change in accounting for power "bookout" transactions made after adoption of new accounting guidance as of Oct 1, 2003. Actual Net Revenues for FY 2010 with the mark-to-market adjustments were \$(127.6) million and Modified Net Revenues were \$(164.4).
- 2/ Columns B and C do not reflect the change in accounting for power "bookout" transactions made after adoption of new accounting guidance, was effective as of Oct 1, 2003.
- 3/ Net revenues include the effects of non-federal debt management and derivative accounting guidance as amended. Modified net revenues were line items. An example of non-federal debt management is the refinancing of ENW debt.
- 4/ Financial reserves equal total cash plus deferred borrowing and investments in non-marketable U.S. Treasury securities.
- 5/ Funded by borrowing from the U.S. Treasury.
- 6/ There is significant uncertainty regarding the potential financial results that could occur by the end of the year, mainly a result of water conditions, which may affect net secondary sales, and short-term market prices.

Report ID: 0070FY11
 Requesting BL: CORPORATE BUSINESS UNIT
 Unit of measure: \$ Thousands

FCRPS Summary Statement of Revenues and Expenses

Quarterly Review at December 31, 2010
 Preliminary / Unaudited / For Internal Use Only

Run Date/Run Time: January 21, 2011/ 08:32

Data Source: EPM Data Warehouse
 % of Year Lapsed = 25%

		A	B	C	D	E	F
		FY 2010	FY 2011				
		Actuals	Start of Year (SOY) Budget	Current EOY Forecast	Current Forecast as a % of SOY Budget	Actuals: FYTD	Actuals as a % of SOY Budget
Operating Revenues							
1	Gross Sales (excluding bookout adjustment) <Notes 1, 5	\$2,971,900	\$3,131,938	\$3,172,323	102%	\$836,370	27%
2	Bookout adjustment to Sales <Note 1	(120,803)		(26,061)		(26,061)	
3	Miscellaneous Revenues	61,544	58,385	57,886	99%	13,796	24%
4	Derivative Instruments <Note2	14,800					
5	U.S. Treasury Credits	127,690	117,541	93,800	80%	26,916	23%
6	Total Operating Revenues	\$3,055,131	\$3,307,864	\$6,502,095	100%	\$851,022	26%
Operating Expenses							
Power System Generation Resources							
Operating Generation Resources							
7	Columbia Generating Station	256,940	323,082	323,082	100%	92,410	29%
8	Bureau of Reclamation	82,125	96,110	96,110	100%	19,869	21%
9	Corps of Engineers	192,279	192,433	192,433	100%	42,252	22%
10	Long-term Contract Generating Projects	28,769	31,266	31,266	100%	5,957	19%
11	Operating Generation Settlement Payment	16,712	21,754	21,754	100%	5,438	25%
12	Non-Operating Generation	2,673	2,128	2,740	129%	581	27%
13	Gross Contracted Power Purchases and Augmentation Power Purch <Note 1	472,526	162,715	245,656	144%	105,535	65%
14	Bookout Adjustment to Power Purchases <Note 1	(120,803)		(26,061)		(26,061)	
15	Exchanges & Settlements <Note 5	180,453	188,987	181,990	96%	46,229	24%
16	Renewables	34,296	39,578	39,758	100%	7,986	20%
17	Generation Conservation	66,870	76,200	76,200	100%	13,511	18%
18	Subtotal Power System Generation Resources	\$1,212,839	\$1,134,254	\$1,184,930	103%	\$313,708	28%
19	Power Services Transmission Acquisition and Ancillary Services - (3rd Party) <Note 4	47,352	56,677	56,797	100%	12,421	22%
20	Power Services Non-Generation Operations	75,576	86,811	84,615	97%	17,116	20%
21	Transmission Operations	103,625	128,088	126,131	98%	25,134	20%
22	Transmission Maintenance	125,431	142,151	142,326	100%	27,260	19%
23	Transmission Engineering	24,221	32,033	32,220	101%	5,131	16%
24	Trans Services Transmission Acquisition and Ancillary Services - (3rd Party) <Note 3, 4	8,801	7,531	7,262	96%	1,339	18%
25	Transmission Reimbursables	9,100	9,920	10,430	105%	2,976	30%
26	Fish and Wildlife/USF&W/Planning Council/Environmental Requirements	231,528	259,212	259,714	100%	51,721	20%
BPA Internal Support							
27	Additional Post-Retirement Contribution	30,894	31,157	31,157	100%	7,789	25%
28	Agency Services G&A	102,299	104,195	104,689	100%	25,035	24%
29	Other Income, Expenses & Adjustments	(1,026)		3,462		3,148	
30	Non-Federal Debt Service <Note 4	600,360	623,147	625,436	100%	147,747	24%
31	Depreciation & Amortization <Note 4	368,371	393,465	393,465	100%	96,059	24%
32	Total Operating Expenses	\$2,939,370	\$3,008,642	\$3,062,634	101%	\$736,584	24%
33	Net Operating Revenues (Expenses)	\$115,761	\$299,222	\$235,313	88%	\$114,437	38%
Interest Expense and (Income)							
34	Interest Expense	331,255	346,359	339,818	98%	81,467	24%
35	AFUDC	(32,867)	(36,875)	(38,509)	104%	(9,201)	25%
36	Interest Income	(55,047)	(42,666)	(41,764)	99%	(7,453)	17%
37	Net Interest Expense (Income)	\$243,342	\$266,818	\$259,545	97%	\$64,813	24%
38	Net Revenues (Expenses)	(\$127,581)	\$32,404	(\$24,232)	11%	\$49,624	153%

<1 Beginning in FY 2004, actuals for Power Sales and Contracted Power Purchases are affected by the change in accounting for power "bookout" transactions after adoption of new accounting guidance as of Oct 1, 2003. Bookout transactions are not included in the SOY budget or forecasted through the remaining year. Bookouts included in the Forecast column reflect actuals recorded to date.

<2 This is an "accounting only" (no cash impact) adjustment representing the mark-to-market (MTM) adjustment required by derivative accounting guidance as amended, for identified derivative instruments. The MTM adjustment is excluded in calculating Modified Net Revenues for rate setting purposes.

<3 Beginning in FY 2004, the consolidated actuals reflect the inclusion of transactions associated with a Variable Interest Entity (VIES), which is in accordance with accounting guidance for special purpose entities that is effective as of that is effective as of December, 2003. The SOY Budget and Current Forecast are for the Bonneville Power Administration only.

<4 The consolidated FCRPS Statement reduces reported Revenues and Expenses where between business line transactions occur, the most significant of which are for Transmission Acquisition and Ancillary Services.

<5 The Residential Exchange Program Lookback Amount applied is returned to the Consumer Owned Utilities (COUs) and recovered from the Investor Owned Utilities. Throughout the year actual revenue will be reduced by this amount to reflect the Lookback Amount returned by the IOUs. Budgets were developed with the Lookback Amount applied as an increase to the REP expense, without adjustment to revenue. These circumstances will present actual revenue and REP expense running under budget.

Monthly Financial Reports



Report ID: 0020FY11 **FCRPS Summary Statement of Revenues and Expenses** Run Date/Run Time: January 27, 2011/ 11:28
 Requesting BL: CORPORATE BUSINESS UNIT Through the Month Ended December 31, 2010 Data Source: EPM Data Warehouse
 Unit of measure: \$ Thousands Preliminary/ Unaudited % of Year Lapsed = 25%

	FY 2010		FY 2011		E <Note 2	FY 2011
	Actuals: FYTD	Actuals	Rate Case	SOY Budget	Current EOY Forecast	Actuals: FYTD
Operating Revenues						
1 Gross Sales (excluding bookout adjustment) <Notes 1 and 5	\$773,763	\$2,971,900	\$3,484,315	\$3,131,938	\$3,172,323	\$836,370
2 Bookout adjustment to Sales <Note 1	(6,727)	(120,803)	-	-	(26,061)	(26,061)
3 Miscellaneous Revenues	14,144	61,544	61,610	58,385	57,886	17,796
4 Derivative Instruments <Note 6	(8,599)	14,800	-	-	-	-
5 U.S. Treasury Credits	24,893	127,690	106,569	117,541	93,800	26,916
6 Total Operating Revenues	\$797,473	\$3,055,131	\$3,652,494	\$3,307,864	\$3,297,948	\$851,022
Operating Expenses						
Power System Generation Resources						
Operating Generation Resources						
7 Columbia Generating Station	57,357	256,940	324,882	323,082	323,082	92,410
8 Bureau of Reclamation	19,600	82,125	96,110	96,110	96,110	19,869
9 Corps of Engineers	35,402	192,279	192,433	192,433	192,433	42,252
10 Long-term Contract Generating Projects	6,800	28,769	30,767	31,266	31,266	5,957
11 Operating Generation Settlement Payment	5,332	16,712	21,754	21,754	21,754	5,438
12 Non-Operating Generation	1,465	2,673	2,728	2,128	2,740	581
13 Gross Contracted Power Purchases and Augmentation Power Purch <Note 1	88,986	472,526	347,770	162,715	245,656	105,535
14 Bookout Adjustment to Power Purchases <Note 1	(6,727)	(120,803)	-	-	(26,061)	(26,061)
15 Exchanges & Settlements <Note 5	46,027	180,453	268,647	188,987	181,990	46,229
16 Renewables	7,806	34,296	38,505	39,578	39,758	7,986
17 Generation Conservation	13,769	66,870	85,122	76,200	76,200	13,511
18 Subtotal Power System Generation Resources	\$275,817	\$1,212,839	\$1,408,720	\$1,134,254	\$1,184,930	\$313,708
19 Power Services Transmission Acquisition and Ancillary Services - (3rd Party) <Note 3	11,408	47,352	52,220	56,677	56,797	12,421
20 Power Services Non-Generation Operations	15,793	75,576	89,240	86,811	84,615	17,116
21 Transmission Operations	23,152	103,625	122,722	128,088	126,131	25,134
22 Transmission Maintenance	26,420	125,431	130,573	142,151	142,326	27,260
23 Transmission Engineering	4,478	24,221	25,448	32,033	32,220	5,131
24 Trans Services Transmission Acquisition and Ancillary Services - (3rd Party) <Note 3, 4	1,827	8,801	13,692	7,531	7,262	1,339
25 Transmission Reimbursables	2,194	9,100	10,000	9,920	10,430	2,976
26 Fish and Wildlife/USF&W/Planning Council/Environmental Requirements	51,063	231,528	270,394	259,212	259,714	51,721
BPA Internal Support						
27 Additional Post-Retirement Contribution	8,359	30,894	31,157	31,157	31,157	7,789
28 Agency Services G&A	22,498	102,299	99,174	104,195	104,689	25,035
29 Other Income, Expenses & Adjustments	(447)	(1,026)	(2,000)	-	3,462	3,148
30 Non-Federal Debt Service <Note 4	150,852	600,360	643,105	623,147	625,436	147,747
31 Depreciation & Amortization <Note 4	89,859	368,371	408,470	393,465	393,465	96,059
32 Total Operating Expenses	\$683,274	\$2,939,370	\$3,302,914	\$3,008,642	\$3,062,634	\$736,584
33 Net Operating Revenues (Expenses)	\$114,199	\$115,761	\$349,580	\$299,222	\$235,313	\$114,437
Interest Expense and (Income)						
34 Interest Expense	81,771	331,255	389,018	346,359	339,818	81,467
35 AFUDC	(10,141)	(32,867)	(32,848)	(36,875)	(38,509)	(9,201)
36 Interest Income	(13,655)	(55,047)	(65,527)	(42,666)	(41,764)	(7,453)
37 Net Interest Expense (Income)	\$57,975	\$243,342	\$290,643	\$266,818	\$259,545	\$64,813
38 Net Revenues (Expenses)	\$56,225	(\$127,581)	\$58,938	\$32,404	(\$24,232)	\$49,624

- <1 For BPA management reports, Gross Sales and Purchase Power are shown separated from the power bookout adjustment (EITF 03-11, effective as of Oct 1, 2003) to provide a better picture of our gross sales and
- <2 Although the forecasts in this report are presented as point estimates, BPA operates a hydro-based system that encounters much uncertainty regarding water supply and wholesale market prices. These uncertainties among other factors may result in large range swings +/- impacting the final results in revenues, expenses, and cash reserves.
- <3 The consolidated FCRPS Statement reduces reported Revenues and Expenses where between business line transactions occur, the most significant of which are for Transmission Acquisition and Ancillary Services.
- <4 Beginning in FY 2004, consolidated actuals reflect the inclusion of transactions associated with a Variable Interest Entity (VIES), which is in accordance with the FASB Interpretation No. 46 (FIN 46) that is effective as
- <5 The Residential Exchange Program Lookback Amount applied is returned to the Consumer Owned Utilities (COUs) and recovered from the Investor Owned Utilities. Throughout the year actual revenue will be reduced by this amount to reflect the Lookback Amount refunds returned to COUs and actual REP expense will be reduced to reflect the Lookback Amount returned by the IOUs. Rate case estimates were developed with the Lookback Amount applied as an increase to the REP expense, without adjustment to revenue. These circumstances will present actual revenue and REP expense running under rate case estimates.
- <6 This is an "accounting only" (no cash impact) adjustment representing the mark-to-market (MTM) adjustment required by ASC 815, Derivatives and Hedging (formerly SFAS 133), for identified derivative instruments. In FY2010, BPA began applying ASC 980, Regulated Operations, treating the unrealized gains and losses on derivative instruments as Regulatory Assets and Liabilities.

Report ID: 0021FY11 **Power Services Summary Statement of Revenues and Expenses** Run Date/Time: January 27, 2011 11:28
 Requesting BL: POWER BUSINESS UNIT Through the Month Ended December 31, 2010 Data Source: EPM Data Warehouse
 Unit of measure: \$ Thousands Preliminary/ Unaudited % of Year Lapsed = 25%

	FY 2010		FY 2011		E <Note 2	F
	Actuals: FYTD	Actuals	Rate Case	SOY Budget	Current EOY Forecast	Actuals: FYTD
Operating Revenues						
1 Gross Sales (excluding bookout adjustment) <Notes 1 and 3	\$592,584	\$2,233,570	\$2,731,880	\$2,382,317	\$2,417,046	\$650,159
2 Bookout Adjustment to Sales <Note 1	(6,727)	(120,803)	-	-	(26,061)	(26,061)
3 Miscellaneous Revenues	6,513	29,370	29,421	25,315	25,128	6,221
4 Inter-Business Unit	22,710	100,981	102,735	97,842	104,167	27,524
5 Derivative Instruments <Note 4	(8,599)	14,800	-	-	-	-
6 U.S. Treasury Credits	24,893	127,690	106,569	117,541	93,800	26,916
7 Total Operating Revenues	\$631,374	\$2,385,607	\$2,970,605	\$2,623,015	\$2,614,080	\$684,760
Operating Expenses						
Power System Generation Resources						
Operating Generation Resources						
8 Columbia Generating Station	57,357	256,940	324,882	323,082	323,082	92,410
9 Bureau of Reclamation	19,600	82,125	96,110	96,110	96,110	19,869
10 Corps of Engineers	35,402	192,279	192,433	192,433	192,433	42,252
11 Long-term Contract Generating Projects	6,800	28,769	30,767	31,266	31,266	5,957
12 Operating Generation Settlement Payment	5,332	16,712	21,754	21,754	21,754	5,438
13 Non-Operating Generation	1,465	2,673	2,728	2,128	2,740	581
14 Gross Contracted Power Purchases and Aug Power Purchases <Note 1	88,986	472,526	347,770	162,715	245,656	105,535
15 Bookout Adjustment to Power Purchases <Note 1	(6,727)	(120,803)	-	-	(26,061)	(26,061)
16 Residential Exchange/IOU Settlement Benefits <Note 3	46,027	180,453	268,647	188,987	181,990	46,229
17 Renewables	8,072	35,408	38,505	39,758	39,758	8,067
18 Generation Conservation	13,769	66,870	85,122	76,200	76,200	13,511
19 Subtotal Power System Generation Resources	\$276,083	\$1,213,951	\$1,408,720	\$1,134,434	\$1,184,930	\$313,789
Power Services Transmission Acquisition and Ancillary Services	36,398	157,603	176,591	168,065	159,051	36,418
21 Power Non-Generation Operations	15,797	75,623	89,240	86,901	84,705	17,119
22 Fish and Wildlife/USF&W/Planning Council/Environmental Requirements	51,109	232,395	270,714	259,714	259,714	51,943
BPA Internal Support						
23 Additional Post-Retirement Contribution	4,179	15,447	15,578	15,579	15,579	3,895
24 Agency Services G&A	11,480	51,937	50,064	47,886	48,427	11,504
25 Other Income, Expenses & Adjustments	(6)	(7,449)	-	-	-	-
26 Non-Federal Debt Service	135,219	537,830	581,494	561,536	563,825	132,345
27 Depreciation & Amortization	45,348	184,989	206,934	200,565	200,565	48,693
28 Total Operating Expenses	\$575,606	\$2,462,325	\$2,799,335	\$2,474,679	\$2,516,796	\$615,706
29 Net Operating Revenues (Expenses)	\$55,768	(\$76,718)	\$171,270	\$148,336	\$97,285	\$69,053
Interest Expense and (Income)						
30 Interest Expense	52,704	211,064	226,370	215,340	212,051	51,031
31 AFUDC	(3,184)	(9,662)	(10,200)	(11,325)	(12,309)	(2,779)
32 Interest Income	(6,288)	(24,474)	(40,854)	(13,606)	(13,512)	(1,908)
33 Net Interest Expense (Income)	\$43,232	\$176,928	\$175,316	\$190,409	\$186,230	\$46,343
34 Net Revenues (Expenses)	\$12,536	(\$253,645)	(\$4,046)	(\$42,073)	(\$88,946)	\$22,710

- <1 For BPA management reports, Gross Sales and Purchase Power are shown separated from the power bookout adjustment (EITF 03-11, effective as of Oct 1, 2003) to provide a better picture of our gross sales
- <2 Although the forecasts in this report are presented as point estimates, BPA operates a hydro-based system that encounters much uncertainty regarding water supply and wholesale market prices. These uncertainties, among other factors, may result in large range swings +/- impacting the final results in revenues, expenses, and cash reserves.
- <3 The Residential Exchange Program Lookback Amount applied is returned to the Consumer Owned Utilities (COUs) and recovered from the Investor Owned Utilities. Throughout the year actual revenue will be reduced by this amount to reflect the Lookback Amount refunds returned to COUs and actual REP expense will be reduced to reflect the Lookback Amount returned by the IOUs. Rate case estimates were developed with the Lookback Amount applied as an increase to the REP expense, without adjustment to revenue. These circumstances will present actual revenue and REP expense running under rate case estimates.
- <4 This is an "accounting only" (no cash impact) adjustment representing the mark-to-market (MTM) adjustment required by ASC 815, Derivatives and Hedging (formerly SFAS 133), for identified derivative instruments. In FY2010, BPA began applying ASC 980, Regulated Operations, treating the unrealized gains and losses on derivative instruments as Regulatory Assets and Liabilities.

Report ID: 0023FY11
 Requesting BL: TRANSMISSION BUSINESS UNIT
 Unit of Measure: \$ Thousands

Transmission Services Summary Statement of Revenues and Expenses
 Through the Month Ended December 31, 2010
 Preliminary/ Unaudited

Run Date/Time: January 27, 2011/ 11:29
 Data Source: EPM Data Warehouse
 % of Year Lapsed = 25%

	FY 2010		FY 2011			FY 2011
	Actuals: FYTD	Actuals	Rate Case	SOY Budget	Current EOY Forecast	Actuals: FYTD
Operating Revenues						
Sales	\$181,179	\$738,330	\$752,435	\$749,621	\$755,277	\$186,211
Miscellaneous Revenues	7,630	32,175	32,189	33,070	32,757	7,575
Inter-Business Unit Revenues	25,421	113,576	107,737	115,950	111,930	24,516
Total Operating Revenues	\$214,230	\$884,080	\$892,361	\$898,641	\$899,964	\$218,302
Operating Expenses						
Transmission Operations	23,152	103,625	122,722	128,088	126,131	25,134
Transmission Maintenance	26,420	125,431	130,573	142,151	142,326	27,260
Transmission Engineering	4,478	24,221	25,448	32,033	32,220	5,131
Trans Services Transmission Acquisition and Ancillary Services <Note 2	24,537	109,782	116,422	106,887	110,544	28,863
Transmission Reimbursables	2,194	9,100	10,000	9,920	10,430	2,976
BPA Internal Support						
Additional Post-Retirement Contribution	4,179	15,447	15,579	15,579	15,579	3,895
Agency Services G&A	11,019	50,362	49,110	56,309	56,262	13,530
Other Income, Expenses & Adjustments	(199)	7,722	(2,000)	-	3,462	3,462
Depreciation & Amortization <Note 2	44,511	183,382	201,536	192,900	192,900	47,365
Total Operating Expenses	\$140,292	\$629,072	\$669,389	\$683,868	\$689,854	\$157,617
Net Operating Revenues (Expenses)	\$73,938	\$255,008	\$222,971	\$214,774	\$210,111	\$60,685
Interest Expense and (Income)						
Interest Expense	43,262	177,042	219,428	187,799	184,547	44,648
AFUDC	(6,334)	(23,204)	(22,648)	(25,550)	(26,200)	(5,830)
Interest Income	(7,367)	(30,644)	(24,673)	(29,060)	(28,252)	(5,561)
Net Interest Expense (Income)	\$29,560	\$123,195	\$172,107	\$133,189	\$130,095	\$33,256
Net Revenues (Expenses)	\$44,378	\$131,814	\$50,864	\$81,585	\$80,016	\$27,428

<1 Although the forecasts in this report are presented as point estimates, BPA operates a hydro-based system that encounters much uncertainty regarding water supply and wholesale market prices. These uncertainties, among other factors, may result in large range swings +/- impacting the final results in revenues, expenses, and cash reserves.
 <2 Beginning in FY 2004, consolidated actuals reflect the inclusion of transactions associated with a Variable Interest Entity (VIES), which is in accordance with the FASB Interpretation No. 46 (FIN 46) that is effective as of December, 2003. VIES information is not included in rate case and budget data.

Report ID: 0063FY11	Transmission Services Revenue Detail by Product	Run Date/Time: January 27, 2011 11:47
Requesting BL: TRANSMISSION BUSINESS UNIT	Through the Month Ended December 31, 2010	Data Source: EPM Data Warehouse
Unit of Measure: \$ Thousands	Preliminary/ Unaudited	% of Year Lapsed = 25%

	A	B	C	D	
	FY 2011			FY 2011	
	Rate Case	SOY Budget	Current EOY Forecast	Actuals	
Transmission Services Operating Revenues					
NETWORK					
1	PTP - LONG TERM	\$358,823	\$382,385	\$357,506	\$86,336
2	NETWORK INTEGRATION	126,531	125,927	127,277	34,671
3	INTEGRATION OF RESOURCES	26,171	8,779	28,807	7,262
4	FORMULA POWER TRANSMISSION	24,157	25,629	25,629	6,424
5	PTP - SHORT TERM	21,181	27,367	30,822	406
6	TOTAL: NETWORK	556,863	570,087	570,042	135,098
ANCILLARY SERVICES					
7	SCHEDULING, SYSTEM CONT & DISP	90,082	94,485	90,640	21,308
8	WITHIN_HOUR_BALANCE_FOR_RSRCS	56,063	35,838	36,671	7,964
9	OPERATING RESERVES-SPIN & SUPP	26,345	35,243	34,623	9,952
10	REGULATION & FREQ RESPONSE	7,943	7,517	7,444	1,927
11	ENERGY & GENERATION IMBALANCE	-	-	4,165	2,538
12	TOTAL: ANCILLARY SERVICES	180,434	173,083	173,543	43,690
INTERTIE					
13	SOUTHERN INTERTIE LONG TERM	83,479	83,811	83,629	20,815
14	SOUTHERN INTERTIE SHORT TERM	4,438	3,890	4,316	199
15	MONTANNA INTERTIE LONG TERM	252	252	252	63
16	TOTAL: INTERTIE	88,168	87,953	88,196	21,076

Report ID: 0063FY11

Transmission Services Revenue Detail by Product

Run Date/Time: January 27, 2011 11:47

Requesting BL: TRANSMISSION BUSINESS UNIT

Through the Month Ended December 31, 2010

Data Source: EPM Data Warehouse

Unit of Measure: \$ Thousands

Preliminary/ Unaudited

% of Year Lapsed = 25%

		A	B	C	D
		FY 2011			FY 2011
		Rate Case	SOY Budget	Current EOY Forecast	Actuals
OTHER REVENUES & CREDITS					
17	TOWNSEND-GARRISON TRANS	\$9,796	\$9,796	\$9,796	\$2,449
18	GEN INTEGRATION - OTHER REV	8,296	8,296	8,296	2,074
19	USE OF FACILITIES	5,402	5,199	5,377	1,387
20	POWER FACTOR PENALTY	4,402	4,402	4,386	901
21	NFP - DEPR PNW PSW INTERTIE	3,065	3,065	3,093	766
22	AC-PNW PSW INTERTIE - OTH REV	1,891	1,891	2,012	446
23	OPERATIONS & MAINT - OTHER REV	1,145	1,145	1,203	283
24	COE_BOR_PROJECT_REV	954	954	954	239
25	RESERVATION FEE - OTHER REV	1,666	1,368	1,660	1,325
26	TRANSMISSION SHARE IRRIGATION	382	382	382	21
27	LAND LEASES AND SALES	301	301	300	27
28	OTHER LEASES REVENUE	160	160	154	(2)
29	REMEDIAL ACTION - OTHER REV	51	51	51	13
30	OTHER REVENUE SOURCES	2	-	-	-
31	MISC SERVICES-LOSS-EXCH-AIR	-	-	10	(236)
32	FAILURE TO COMPLY - OTHER REV	-	-	169	870
33	TOTAL: OTHER REVENUES & CREDITS	37,514	37,010	37,844	10,561
FIBER & PCS					
34	FIBER OTHER REVENUE	7,090	7,255	6,984	1,617
35	WIRELESS/PCS - OTHER REVENUE	4,524	5,001	4,777	1,266
36	WIRELESS/PCS_REIMBURSABLE REV	671	1,225	1,473	129
37	FIBER OTHER REIMBURSABLE REV	909	977	878	313
38	TOTAL: FIBER & PCS	13,194	14,458	14,112	3,325
REIMBURSABLE					
39	REIMBURSABLE-OTHER REVENUE	12,000	11,616	11,439	2,739
40	TOTAL: REIMBURSABLE	12,000	11,616	11,439	3,376
DELIVERY					
41	UTILITY DELIVERY CHARGES	2,424	2,649	3,003	730
42	DSI DELIVERY	1,765	1,785	1,785	446
43	TOTAL: DELIVERY	4,189	4,434	4,788	1,176
44	TOTAL: Transmission Services Operating Revenues	\$892,361	\$898,641	\$899,964	\$218,302

Report ID: 0027FY11

Requesting BL: CORPORATE BUSINESS UNIT

Unit of Measure: \$Thousands

BPA Statement of Capital Expenditures

FYTD Through the Month Ended December 31, 2010

Preliminary Unaudited

Run Date/Run Time: January 27, 2011/ 11:47

Data Source: EPM Data Warehouse

25%

A		B		C		D		E	
FY 2011		FY 2011		FY 2011		FY 2011		FY 2011	
SOY Budget		Current EOY Forecast		Actuals: Dec		Actuals: FYTD		Actuals / Forecast	

Transmission Business Unit

MAIN GRID

1	MID-COLUMBIA REINFORCEMENT	\$13,636	\$9,260	\$542	\$2,507	27%
2	CENTRAL OREGON REINFORCEMENT	10,099	9,634	852	1,933	20%
3	BIG EDDY-KNIGHT 500kv PROJECT	2,576	7,664	2,441	3,378	44%
4	OLYMPIC PENINSULA REINFORCEMNT	-	22	18	109	492%
5	WEST OF MCNARY INTEGRATION PRO	77,768	64,101	4,292	14,140	22%
6	I-5 CORRIDOR UPGRADE PROJECT	5,483	7,017	1,032	1,335	19%
7	LIBBY-TROY LINE REBUILD	-	17	17	108	647%
8	CENTRAL FERRY- LOWER MONUMNTAL	3,136	3,137	387	848	27%
9	PORTLAND-VANCOUVER	25,233	27,730	209	300	1%
10	SALEM- ALBANY-EUGENE AREA	13,100	13,386	43	153	1%
11	TRI-CITIES AREA	1,073	1,016	6	32	3%
12	MONTANA-WEST OF HATWAI	-	-	-	1	0%
13	MISC. MAIN GRID PROJECTS	-	2,321	672	882	38%
14	TOTAL MAIN GRID	152,105	145,305	10,511	25,726	18%

AREA & CUSTOMER SERVICE

15	ROGUE SVC ADDITION	2,104	2,440	142	153	6%
16	CITY OF CENTRALIA PROJECT	302	216	36	73	34%
17	SOUTHERN IDAHO - LOWER VALLEY	1,625	3,076	330	880	29%
18	LONGVIEW AREA REINFORCEMENT	199	703	95	550	78%
19	KALISPELL-FLATHEAD VALLEY	407	433	6	273	63%
20	MISC. AREA & CUSTOMER SERVICE	8,526	8,451	518	1,413	17%
21	TOTAL AREA & CUSTOMER SERVICE	13,163	15,319	1,127	3,342	22%

Report ID: 0027FY11

Requesting BL: CORPORATE BUSINESS UNIT

Unit of Measure: \$Thousands

BPA Statement of Capital Expenditures

FYTD Through the Month Ended December 31, 2010

Preliminary Unaudited

Run Date/Run Time: January 27, 2011/ 11:47

Data Source: EPM Data Warehouse

25%

A		B		C		D		E	
		FY 2011		FY 2011				FY 2011	
SOY Budget		Current EOY Forecast		Actuals: Dec		Actuals: FYTD		Actuals / Forecast	

Transmission Business Unit (Continued)

SYSTEM REPLACEMENTS

22	TEAP - TOOLS	\$1,052	\$1,052	-	\$4	0%
23	TEAP - EQUIPMENT	14,434	14,873	142	3,348	23%
24	SPC - SER	611	595	6	135	23%
25	SPC - DFRS	4,491	4,275	89	320	7%
26	SPC - METERING	313	293	-	-	0%
27	SPC - CONTROL AND INDICATION	-	34	2	141	419%
28	SPC - RELAYS	4,126	3,976	148	251	6%
29	PSC - TELEPHONE SYSTEMS	704	687	12	46	7%
30	PSC - TRANSFER TRIP	10,740	10,458	689	1,427	14%
31	PSC - TLECOM TRANSPORT	2,714	2,603	94	145	6%
32	PSC - SCADA/TELEMETRY/SUP CNTRL	1,223	1,201	46	206	17%
33	PSC- TELECOM SUPPORT EQUIPMENT	979	964	95	250	26%
34	SUB DC- PWR ELCTRNC & SRS CAPS	4,256	4,273	237	1,211	28%
35	SUB AC- BUS & STRUCTURES	626	608	5	97	16%
36	SUB AC - LOW VOLTAGE AUX.	2,808	2,855	163	251	9%
37	SUB AC- SHUNT CAPACITORS	609	608	107	197	32%
38	SUB AC-CIRCUIT BRKR & SWTCH GR	9,919	9,694	298	1,258	13%
39	SUB AC - CVT/PT/CT & ARRESTERS	2,305	2,235	37	267	12%
40	SUB AC-TRANSFORMERS & REACTORS	913	1,050	186	683	65%
41	LINES - STEEL HARDWARE REPLCMT	23,402	22,838	336	1,739	8%
42	LINES - WOOD POLE LN REBUILDS	44,036	42,734	962	3,160	7%
43	MISC. REPLACEMENT PROJECTS	-	-	7	20	0%
44	MISC FACILITIES- NON-ELECTRIC	15,977	15,311	925	2,158	14%
45	TOTAL SYSTEM REPLACEMENTS	146,237	143,217	4,588	17,313	12%

Report ID: 0027FY11

Requesting BL: CORPORATE BUSINESS UNIT

Unit of Measure: \$Thousands

BPA Statement of Capital Expenditures

FYTD Through the Month Ended December 31, 2010

Preliminary Unaudited

Run Date/Run Time: January 27, 2011/ 11:47

Data Source: EPM Data Warehouse

25%

	FY 2011		FY 2011		FY 2011	
	SOY Budget	Current EOY Forecast	Actuals: Dec	Actuals: FYTD	Actuals / Forecast	
	Transmission Business Unit (Continued)					
<u>UPGRADES & ADDITIONS</u>						
46	IT PROJECTS	\$7,829	\$7,583	\$677	\$2,036	27%
47	SECURITY ENHANCEMENTS	6,259	5,951	45	408	7%
48	LAND RIGHTS - ACCESS ROADS	3,000	3,000	2,071	2,174	72%
49	LAND RIGHTS- VEG MITIGATION	407	407	1	18	4%
50	LAND RIGHTS - TRIBAL RENEWALS	-	-	163	220	0%
51	ACCESS ROADS	8,953	12,627	133	2,566	20%
52	SUBSTATION UPGRADES	47,234	50,345	613	1,843	4%
53	LINE SWITCH UPGRADES	-	51	12	27	53%
54	LINE CAPACITY UPGRADES	-	60	-	-	0%
55	CELILO UPGRADES PROJECT	478	489	103	232	47%
56	CONTROL CENTERS	1,281	1,292	86	447	35%
57	CC SYSTEM & APPLICATION	1,337	1,308	20	226	17%
58	CC INFRASTRUCTURE COMPONENTS	4,153	4,119	691	1,116	27%
59	SYSTEM TELECOMMUNICATION	10,640	10,925	2,349	5,005	46%
60	MISC. UPGRADES AND ADDITIONS	30,896	33,022	1,615	6,818	21%
61	TOTAL UPGRADES & ADDITIONS	122,467	131,180	8,576	23,134	18%
<u>ENVIRONMENT CAPITAL</u>						
62	MISC. ENVIRONMENT PROJECTS	6,546	6,309	54	328	5%
63	TOTAL ENVIRONMENT CAPITAL	6,546	6,309	54	328	5%
64	CAPITAL DIRECT	440,519	441,329	24,855	69,844	16%
<u>PFIA</u>						
65	MISC. PFIA PROJECTS	11,436	11,458	604	1,841	16%
66	GENERATOR INTERCONNECTION	74,065	74,247	8,243	17,132	23%
67	SPECTRUM RELOCATION	4,909	5,229	910	2,907	56%
68	COI ADDITION PROJECT	14,068	13,953	3,278	5,765	41%
69	TOTAL PFIA	104,478	104,888	13,035	27,645	26%
70	CAPITAL INDIRECT		-	155	(887)	0%
71	LAPSE FACTOR	(80,648)	-	-	-	0%
72	TOTAL Transmission Business Unit	\$464,349	\$546,217	\$38,045	\$96,602	18%

Report ID: 0027FY11	BPA Statement of Capital Expenditures	Run Date/Run Time: January 27, 2011/ 11:47
Requesting BL: CORPORATE BUSINESS UNIT	FYTD Through the Month Ended December 31, 2010	Data Source: EPM Data Warehouse
Unit of Measure: \$Thousands	Preliminary Unaudited	25%

A	B	C	D	E
FY 2011		FY 2011		FY 2011
SOY Budget	Current EOY Forecast	Actuals: Dec	Actuals: FYTD	Actuals / Forecast

Power Business Unit

73	BUREAU OF RECLAMATION-CAPITAL	\$83,744	\$66,376	\$4,377	\$12,456	19%
74	CORPS OF ENGINEERS-CAPITAL	115,381	152,232	8,094	23,756	16%
75	CONSERVATION ACQUISITION	80,000	80,000	17,226	36,633	46%
76	NON-GENERATION OPERATIONS	8,325	8,325	753	1,974	24%
77	FISH&WILDLIFE&PLANNING COUNCIL	90,500	90,500	11,029	46,006	51%
78	LAPSE FACTOR	(37,200)	-	-	-	0%
79	TOTAL Power Business Unit	\$340,750	\$397,434	\$41,478	\$120,825	30%

Corporate Business Unit

80	CORPORATE BUSINESS UNIT	45,684	46,184	2,312	5,632	12%
81	LAPSE FACTOR	(5,012)	-	-	-	0%
82	TOTAL Corporate Business Unit	\$40,672	\$46,184	\$2,312	\$5,632	12%
83	TOTAL BPA Capital Expenditures	\$845,772	\$989,835	\$81,835	\$223,059	23%

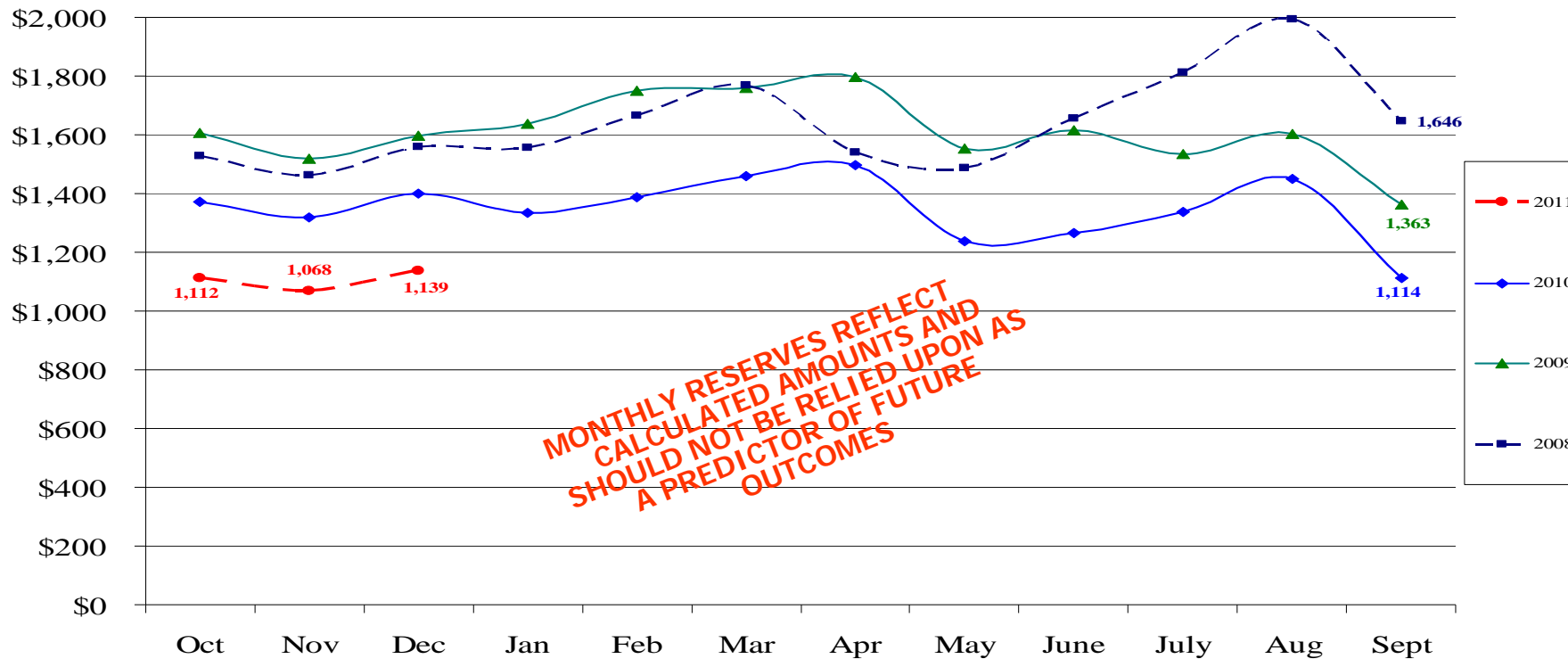
Financial Reserves

Reserves as of the end of December 2010 are \$1.139 billion



BPA - Reserves

As of December 31, 2010 (in millions)



**MONTHLY RESERVES REFLECT
CALCULATED AMOUNTS AND
SHOULD NOT BE RELIED UPON AS
A PREDICTOR OF FUTURE
OUTCOMES**

End of Fiscal Year 2011 Reserves: \$914 million
 Split Between Business Units:
 Power: \$186 million Transmission: \$727 million

Unaudited

Funds held for others balance, estimate: \$292 million
 (Power \$122 million ; Trans \$170 million)

Operational Excellence at BPA



Goals of 2004-2008 EPIP Effort



- Perform more efficiently and transparently
- Provide greater value without increased costs
- Ensure repeatable processes and capture of knowledge
- Reduce risks and errors
- Clarify roles and responsibilities
- Reduce costs while maintaining or enhancing performance
- Take measures to restore customer confidence

Operational Excellence Beginnings



- Operational Excellence adopted as a core value in 2006
- Operational Excellence Task Force 2009
 - *Defined: a continuous improvement that produces more effective and efficient ways to achieve the agency mission*
- 5 key attributes identified and defined
- Task Force recommendations

Mission and Initiatives



- The Mission of the Operational Excellence Program Office is to promote the values, habits, tools and skills that improve the effectiveness and efficiency of BPA' s operations
- The Program Office consists of 2 OpEx Consultants, supervisor, and administrative assistant
- Using quality management system tools, consultants provide training classes/conferences to improve management skills
- Consultants provide advice and guidance to work groups to identify areas for improved effectiveness and efficiencies
- Consultants promote OpEx through partnership with Public Affairs to share success stories

Supply Chain Benefits in FY 2010

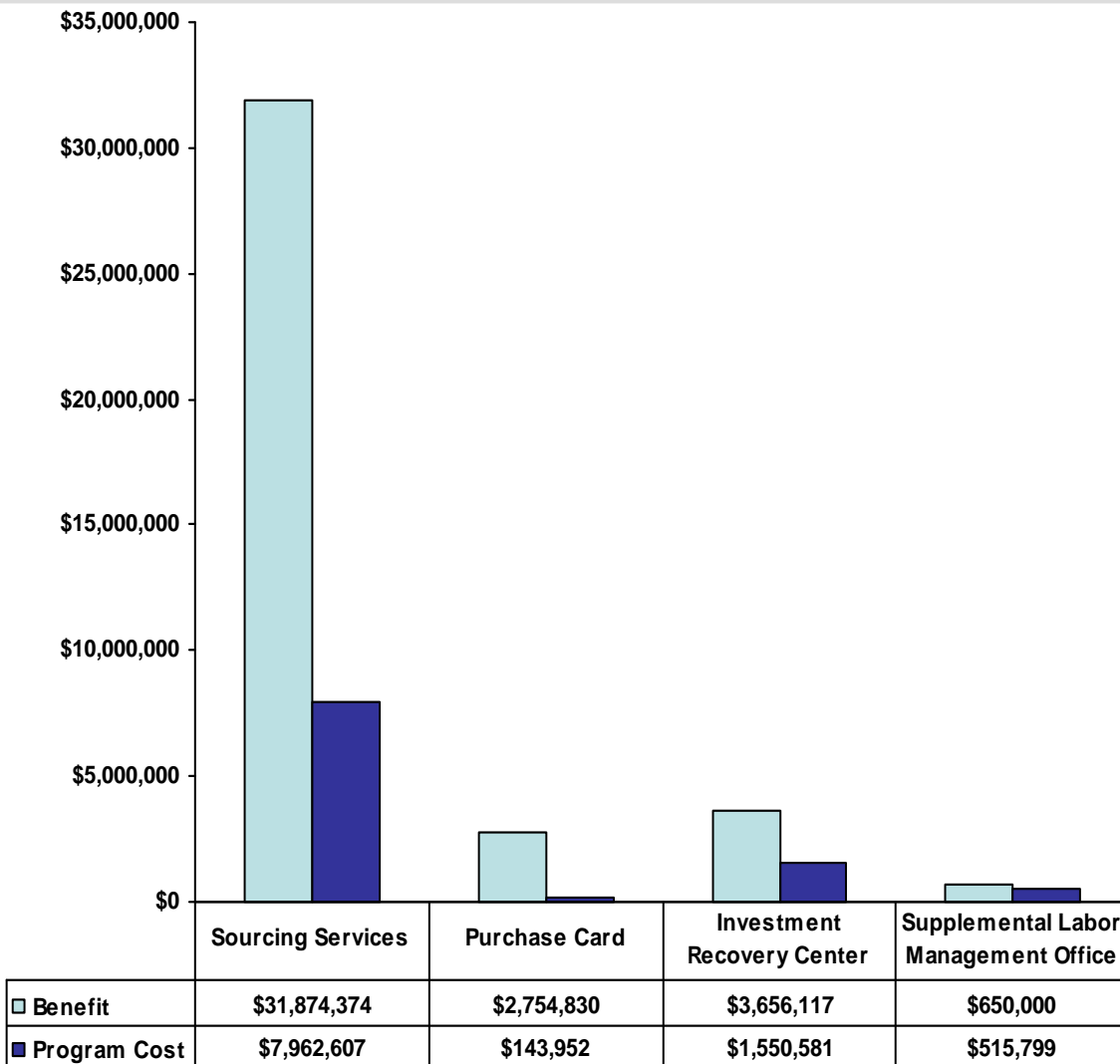


Supply Chain Benefits - Background



- Purpose of presentation
 - Demonstrate Supply Chain's added value to ratepayers
- Supply Chain Services provides valued benefits through:
 - Enabling our business partners to make their stretch targets
 - Getting more work done
 - Helping offset unplanned expenses
 - Keeping crews supplied
 - Ensuring procurement compliance
 - Assuring Best Value for BPA's procurements
- Benefits measured in dollars to quantify value
- Total benefits in FY2010 are \$38,935,321 made up of:
 - Sourcing Services - \$31,874,374
 - P-Card Cost Avoidance - \$2,754,830
 - Investment Recovery - \$3,656,117
 - Supplemental Labor Management Office - \$650,000

Supply Chain Benefits – Chart View



Benefits Delivered:
\$38,935,321

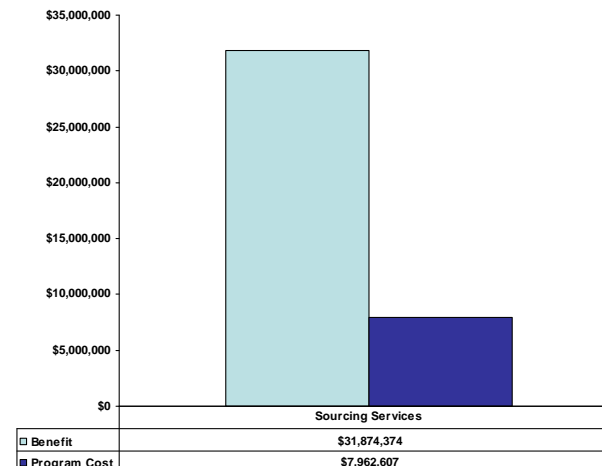
Supply Chain Related Program Costs:
\$10,172,939

Supply Chain Benefits – Detailed Explanation



■ Sourcing Services

- There were 8 large contracts that resulted in 55% of the overall Sourcing services benefit.
 - Data center modernization project – special manufacturers’ incentives, a soft market and strong negotiation allowed us to negotiate price reductions from GSA schedules from three different vendors resulting in:
 - \$5,064,532 reduction in price for Servers
 - \$1,522,000 reduction in price for Servers
 - \$1,428,724 reduction in price for Net App storage devices
 - Negotiated a 55% discount from the GSA schedule for Transportation services resulting in benefits of \$585,200 a year for 5 years – total benefit \$2,926,000.
 - Negotiated primary contractor for the BPA Energy Smart Industrial Services Program down from an initial offer of \$4.7m to approximately \$2.5m resulting in benefit of \$2,213,900
 - An expanded supplier pool and slower market allowed us to negotiate a lower price for Shunt reactors resulting in expenditures being \$2,045,263 less than planned.
 - Using strategic sourcing to re-think how we look at Vegetation Management resulted in a reduction of \$1,470,489 compared to government estimates.
 - One of the first purchases of 230Kv power transformers after completion of our Strategic Sourcing project netted reductions of \$1,089,049 over prices paid previously.
- **Benefit to BPA for the year of \$31,874,374.**



Benefits

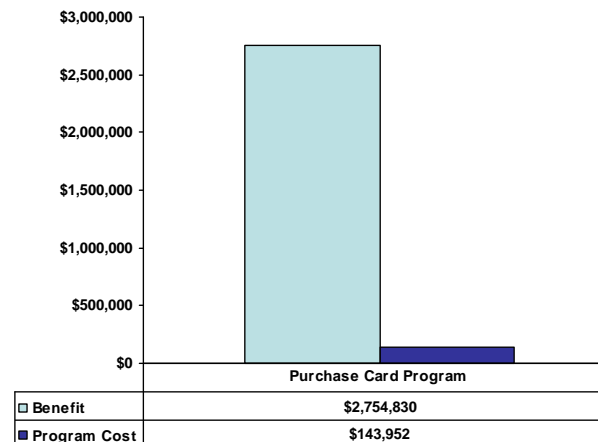
- Best practice solutions
- Quality, Deliver, Service
- Compliance with laws and purchasing regulations
- Applies market trends

Supply Chain Benefits – Detailed Explanation



■ Purchase Card Program

- Using P-Cards allow us to more efficiently allocate resources to larger purchases. For example: it is more effective for field personnel to run to a home center to purchase a hammer than to store it in the warehouse and ship it to the field. Typical items purchased through the P-Card Program would be: tools and equipment, small equipment rental, auto and truck parts, etc.
- The benefits calculation for the P-Card Program is compared to the cost of a normal procurement done by a contracting officer and processed through Accounts Payable.
- BPA did 34,626 purchases on P-Cards for a total value of \$15,551,700.
- **Benefit to BPA for the year of \$2,379,181.**



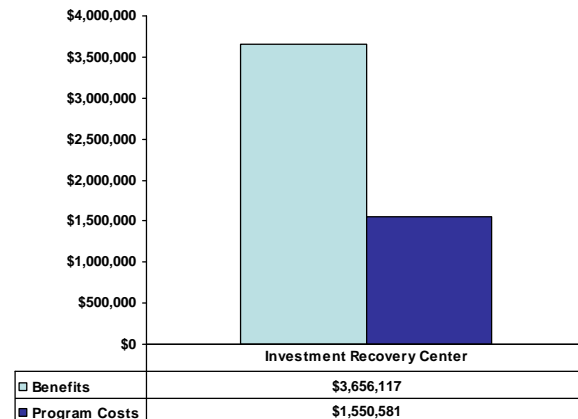
Benefits

- Rebates on dollars spent from the credit card company
- Consistent data
- Reduced time waiting for tools in the field
- Reduced Transportation Costs
- Fewer invoices process by Accounts Payable

Supply Chain Benefits – Detailed Explanation



- Investment Recovery Center (IRC)
 - The money generated by IRC is deposited into the BPA fund and then credited to the project where the material came from, reducing the cost of that project.
 - In FY2010, IRC generated
 - \$1,250,000 for the sale of 3 helicopters
 - \$235,000 for the sale of miscellaneous vehicles (snowcats, bulldozers, trailers, man-lifts, etc.)
 - Sold approximately 580 tons of scrap metal to generate \$650,000
 - \$675,000 in scrap metal from the Pe Ell – Holcomb project
 - \$255,000 in miscellaneous equipment sales on E-bay
 - **Benefit to BPA for the year of \$3,656,117.**



Benefits

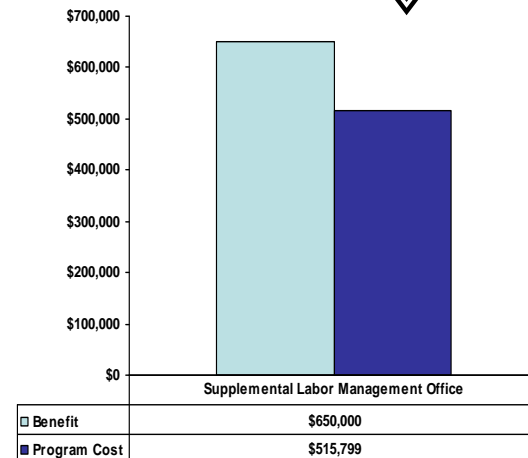
- Disposes of scrap and waste material
- Ensures compliance with federal standards for disposal
- Strives to get the best price for scrap and waste material

Supply Chain Benefits – Detailed Explanation



■ Supplemental Labor Management Office (SLMO)

- BPA’s new SLMO office finished it’s first full year of managing contingent labor for the agency.
- We are integrating the goals and objectives of the SLMO office with the Talent Management Strategy created by Human Capital Management as well as using this organization as a key component of our agency cost reduction strategy going forward.
- This benefit is calculated as the difference between what the vendor submitted as a rate for the candidate and what we negotiated that rate down to. Then multiplied that amount by 2080 to get an annualized benefit amount.
- For example, if a candidate was presented to us at a rate of \$70/hr and we negotiated that to a rate of \$65/hr, that yielded a benefit of \$5/hr, times 2080 equals total annualized benefit of \$10,400.
- In FY2010, SLMO was able to reduce the billing rate on 54 workers.
- **Benefit to BPA for the year of \$650,000.**

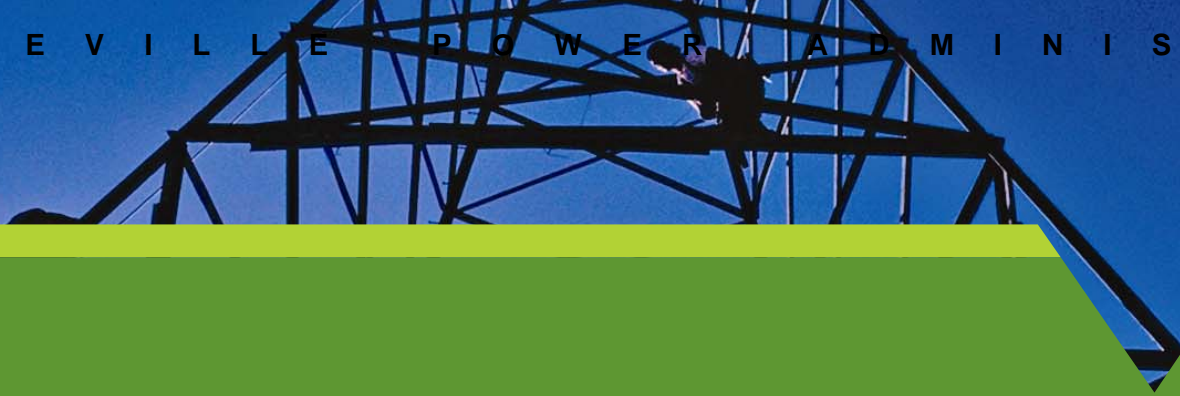


Benefits

- Gives visibility to Supplemental Labor spend
- Standardized processes
- Standard rate guidance
- Management controls

Questions?





Transmission Service

Quality Management Program

Program Manager: Aaron Sundberg



Program Background

- Drivers to develop and implement Quality Management.
 - Mandatory Reliability Standards.
 - Significant vegetation related outages to BPA transmission lines.
 - Need for additional management tools to assure that the Transmission System was being maintained properly to our defined standards and to quickly alert us if it was not.
 - The need to unify, provide consistency and support to existing quality improvement efforts found around the organization.

Program Background (Cont.)

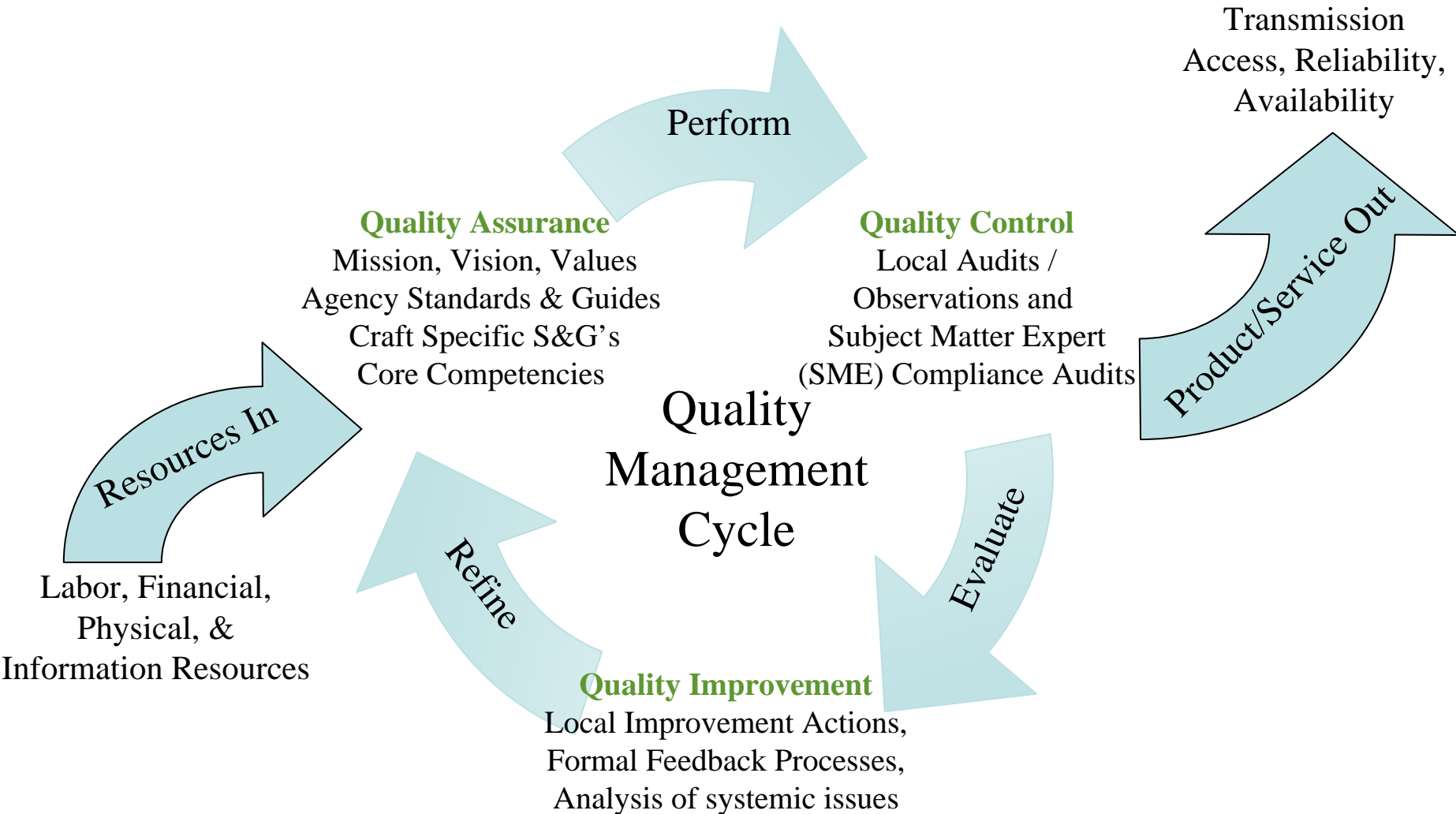
■ Program Development

- Discussion surrounding a formal quality management program began in the fall 2007
- Following a “Grow into” Vegetation contact event in 2008,, Transmission implemented an interim Veg. QA/QC process
- Winter 2009, Transmission implements a Quality Management Program and incorporates interim vegetation QA/QC process into the program.
- Just one year into the program, it is still a work in progress. Refinements, adjustments, and further development continue as we learn and gain experience.
- Because, to date, we have integrated QM into existing processes, we have not tracked accounting specific to QM.

Program Background (Cont.)

- Program Objectives
 - Cost effectively assure the quality of the deliverables of our various organizations.
 - Whenever possible, integrate QM into existing processes to minimize budgetary and workload impacts
 - Provide management with a tool to verify that work is performed consistent with, and work results comply with, our defined work standards.
 - Provide an auditable trail of documentation to support the above objective.
 - Cultivate continuous improvement in the efficiency and effectiveness of work processes, work performance, and the quality of the work results.

Overview of the QM Program



Vegetation Program QM

- Focus for the first year was on Vegetation Removal Contracts.
- Audits for this first year of the program were divided between the Vegetation Management Team and Transmission Line Maintenance Technical Services Organization
- Working patrols performed as part of the Transmission Line Maintenance Program were also audited.

Program Status

- **2010 QM Program Level Findings**
 - 1310 audits and observations completed
 - 495 or 38% of those identified some level of improvement opportunity.
 - The broad QM program results identified opportunities in the two general categories of:
 - Work standards and procedures
 - Data reporting and recording,
 - Not coincidentally, these are two areas where BPA is currently focused and has ongoing projects to improve our effectiveness.

Program Status (Cont.)

- 2010 QM Supervisory & SME sample Findings.
 - Specific training needed on Updated Maintenance Standards.
 - The need for improvements in standardization of data storage and document/file formats.
 - Training needs identified with newer employees in specific districts with high turnover.
 - Some minor tool & equipment needs identified in specific districts.

Vegetation Program QM Improvements

- We have contracted to have LiDAR re-flights in some districts to identify current vegetation status. This project is in progress, and currently data has been captured for ~ 75% of the corridor miles.
- A quality comparison will be made using “before and after” veg management activity data from independent sources. Site specific quality inspections will be conducted on the locations where data doesn’t agree.
- On those lines where multiple independent data sources are not available for comparison, Vegetation Management will conduct site specific quality checks, the number and specific locations of which will be determined utilizing statistical analysis tools.
- Better Coordination of maintenance and inspection activities to correspond with growing seasons to make the most effective use of existing processes and resources.

Next Steps for QM

As stated earlier, this program is a work in progress. We continue to:

- Review and refine the objectives of the QM program.
- Expand the scope of the program to other areas where benefits can be realized.
- Continue to use program processes and data to identify and address Quality Improvement Opportunities at each of the three levels in the program:
 - Local Supervisory Audits/Observations level
 - **Subject Matter Expert** Audits level
 - Program level reviews to identify systemic issues & trends

Creating Value Through Compliance

John Hairston, Chief Compliance Officer
Agency Compliance & Governance



Agency Compliance & Governance



About Us

- Created in October 2006 as result of a recommendation to strengthen BPA's compliance and internal controls to deliver best value for the region.
- Key components include FERC Compliance, Governance & Internal Controls, Purchasing/Property Governance, Ethics Program Management and EEO/Civil Rights
 - FERC Compliance: Plan, develop and administrator programs critical for compliance with all applicable FERC, NERC, WECC and SOC regulatory requirements.
 - Governance & Internal Controls: Oversight of OMB Circular A-123, Agency Information (including Records Management and eDiscovery), the BPAM and DOE Directives.
 - Purchasing/Property Governance: Oversight of the Bonneville Purchasing Instructions and Asset Management Instructions. Plan and manage BPA's personal property program to ensure compliance with established law and good business practice.
 - Ethics Program Management: Develop and implement enhanced ethics program in response to risk assessment including BPA Code of Conduct and Ethics Hotline.
 - Civil Rights & EEO: Title VI and VII compliance and alternative dispute resolution programs.

Agency Compliance & Governance



Achieving High Results

- Reduced costs from current rates by 10% without affecting quality of service, increasing risk or compromising the level of compliance.
 - **Efficient Operations:** Reduced duplication by centralizing reliability compliance.
 - **Risk Management:** Evaluated the risks and focused mitigation efforts on high risk/high consequence areas.
 - **Increased Responsibilities:** Expanded reliability compliance responsibilities without increasing FTE.
 - **Workflow Management:** Automated workflows, tracked completions and consolidated management of reliability compliance documentation through Agency-wide implementation of GRC software application.
 - **Position Management:** Filled vacancies with employees at a lower grades with no service quality impacts.
 - **Succession Planning:** Prepared for retirements of long-time Federal employees through training and knowledge transfer.

Agency Compliance & Governance



2010 Results – FERC Compliance

- Guardian of Reliability Standards
 - FERC reliability compliance program efforts are focused on three objectives:
 1. Minimize the occurrence of violations of reliability standards, with a strong emphasis on sustaining compliance and preventing future violations.
 2. Ensure that BPA rapidly and effectively investigates, reports and mitigates any violations that do occur, and
 3. Strengthen and sustain a culture of compliance within the agency.
 - The FERC Compliance group participated in 30 Rapid Response Team investigations in FY 2010.

Agency Compliance & Governance



2010 Results – FERC Compliance

- Centralization and Automation
 - Improved process efficiency, effectiveness and integration.
 - Provided clarity in roles, responsibilities and accountability
 - Provided a single point of contact for internal and external stakeholders, and
 - Led to more timely resolution of issues for employees responsible for implementing the Mandatory Reliability Standards.
- BPS Resolver©, a GRC software application, was successfully implemented to automate workflows and consolidate management of the documentation related to GRC.
- BPS Resolver© also provides BPA with a central location for all agency reliability compliance documentation.

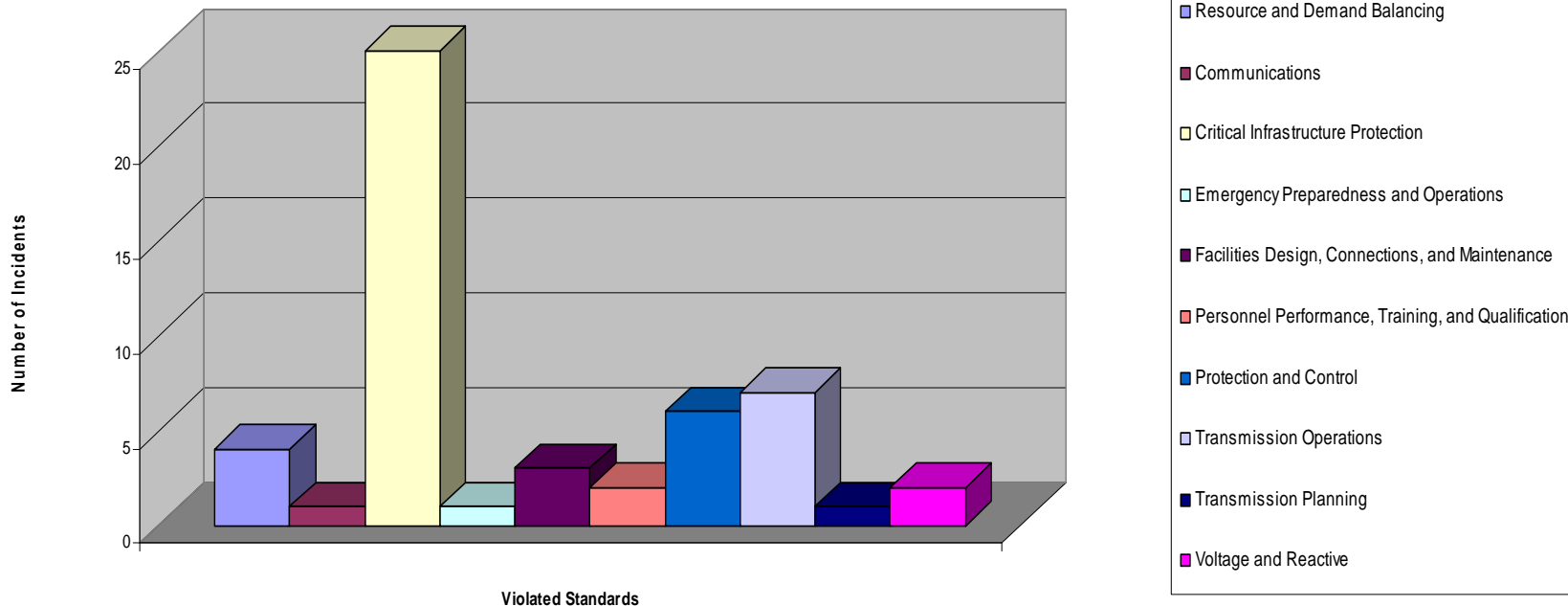
Agency Compliance & Governance



2010 Results – FERC Compliance

- Performed intensive spot check of 200 key CIP requirements and a review of BPA’s Quality Management Program in order to prevent and detect violations and to make self corrections. This resulted in a reduced number of WECC violations found.

September 2009 - September 2010 Self-Reported Violations Standards



Agency Compliance & Governance



2010 Results – Governance & Internal Controls

- OMB Circular A-123 Appendix A
 - Delivered fifth consecutive A-123 Appendix A effort focusing on improving the efficiency and effectiveness of the A-123 program while continuing to provide reasonable assurance that BPA's financial statements are reliable.
 - The work included a shortened cycle for documentation of 127 business processes and associated internal controls as well as testing of 275 key controls.
- Information Management e-Discovery Initiative
 - Consolidated BPA's records management function
 - Launched multi-year Agency effort to identify, redress gaps and reduce costs in BPA's records and information management policies, processes and procedures.

Agency Compliance & Governance



2010 Results – Purchasing and Property Governance

- Purchasing and Property Governance
 - A risk assessment identified key risks to both Purchasing/Property Governance and Supply Chain operations for FY 2011.
 - A risk registry listed all the purchasing and property management risks
 - A survey conducted within Supply Chain to analyze and prioritize risks.
 - This furthered Agency Compliance & Governance's efforts to integrate the operations side of procurement with governance and compliance.
 - High risks slated for risk mitigation in 2011 to assure:
 - Contract documentation supports award of best value contracts.
 - Contracting officer warrant levels are commensurate with business need.

Agency Compliance & Governance



2010 Results – Purchasing and Property Governance

- Personal Property Loss Damage and Destruction (LDD) Standards
 - Purchasing and Property Governance established thresholds for each property steward organization in BPA in accordance with the ASTM Standards.
 - LDDs are a key indicator of the effectiveness of a property system as they are used to measure the effectiveness of controls; policy or procedural weaknesses; or lack of compliance, any one of which can impact entity profitability, mission performance or reputation.
 - Monitoring of property loss against the thresholds will allow BPA to assess the effectiveness of property management system and provide a trigger mechanism for investigation allowing a remedy of potential problems in the property program.

Agency Compliance & Governance



2010 Results – Ethics Program Management

- The BPA Code of Conduct and Ethics Hotline were launched in March 2010.
- The Code of Conduct is a summary of many of the policies, statutes and rules under which BPA operates and can help employees uphold their responsibilities.
- The BPA Ethics Hotline is part of BPA's enhanced ethics program to promote the continual improvement of workplace ethics.
 - The BPA Ethics Hotline is operated as software for service by a third-party vendor at a fraction of the cost of running the program internally.
 - Calls or web submissions to the BPA Ethics Hotline may be made by employees, contractor employees, vendors, customers or the public.
 - Calls or web submissions may be anonymous and made from any location 24 hours a day, seven days a week.
- A refreshed ethics risk assessment formed the basis for a new ethics treatment plan.

Agency Compliance & Governance



Achieving Operational Excellence – 2011 Initiatives Overview

- Close the gaps and achieve efficiencies resulting from benchmarking BPA's compliance program against the nine dimensions of an effective compliance and ethics program.
- Continue to leverage staff potential and operational excellence by testing and certifying employees as nationally recognized certified compliance and ethics professionals.
- Secure and maximize the use of information and reduce management and storage costs through a standardized process for categorizing and managing BPA's information.
- Make a sixth consecutive unqualified attestation on financial reporting consistent with OMB Circular A-123.

Agency Compliance & Governance



Achieving Operational Excellence – 2011 Initiatives Overview

- Reduce potential violations, close gaps and maximize efficiencies in reliability compliance through analysis of all processes and procedures contained in the reliability compliance manual.
- Assure BPA's relay maintenance activities are in compliance with NERC standards.
- Safeguard BPA's intellectual property and develop efficiencies through consolidation of Bonneville purchasing instruction subchapter.
- Reduce real property loss and achieve cost savings through increased employee awareness of property management responsibilities.
- Close the ethics program gaps identified in the 2010 risk refresh.

Update on the Transmission Services Facility Project

Kim Leathley



Lease Financing Update

**Nancy Mitman, Don Carbonari
and Jinah Nakaji**



Lease Financing



- At the June 10, 2010 Debt Management workshop, we discussed BPA's Access to Capital outlook and provided an update on the Lease Financing Program.
- Today's Lease Financing topics:
 - Lease Financing in Oregon
 - Oregon Property Tax Litigation
 - Property Tax Rates in Oregon

Lease Financing in Oregon



- With the increased borrowing authority from ARRA, BPA projects remaining Treasury borrowing authority may be exhausted as early as 2016 without additional lease financing.
- Currently, there are five projects in Oregon (\$35M estimated cost of construction) that are good candidates for lease financing.
- BPA plans to continue to lease finance projects in Oregon despite the potential added costs of property tax.
- BPA continues to seek opportunities for property tax exemption.
- Based on our analysis, the PV of the potential property tax (over 30 years) for these five projects is approximately \$4.6M.

Oregon Property Tax Litigation Update



- Currently the Lease Financing program is exempt from property taxes in Washington. It is also exempt in Idaho, although the state indicated it might reconsider the issue depending on the outcome of the Oregon litigation.
- We have pursued property tax exemption in Oregon with little success to date.
- On May 6, 2010, the United States filed a complaint against the State of Oregon and Clackamas County in Federal court.
- On January 4, 2011, the judge dismissed the case from Federal court.
- On January 13, 2011, the State of Oregon re-issued its declaratory ruling. The United States has 90 days from the date of the ruling to appeal the declaratory ruling to Oregon Tax Court.
- The United States also can appeal the dismissal from Federal court. We have until March 7, 2011 to appeal the dismissal. If Justice decides to appeal the dismissal, we expect that we will also appeal the declaratory ruling and ask the tax court to stay the litigation pending the outcome of the appeal in Federal court.

Property Tax Rates in Oregon



COUNTY	ACTUAL TAX RATE	EFFECTIVE TAX RATE
Baker	1.00%	0.68%
Benton	1.04%	0.70%
Clackamas	1.04%	0.70%
Clatsop	0.69%	0.46%
Columbia	0.94%	0.63%
Coos	0.75%	0.50%
Crook	0.67%	0.46%
Curry	0.56%	0.38%
Deschutes	0.79%	0.53%
Douglass	0.72%	0.49%
Gilliam	0.74%	0.50%
Grant	1.01%	0.68%
Harney	0.91%	0.62%
Hood River	0.74%	0.50%
Jackson	0.85%	0.57%
Jefferson	0.98%	0.66%
Josephine	0.63%	0.43%
Klamath	0.68%	0.46%
Lake	0.83%	0.56%
Lane	0.94%	0.63%
Lincoln	0.73%	0.49%
Linn	1.17%	0.79%
Malheur	0.98%	0.67%
Marion	1.05%	0.71%
Morrow	1.29%	0.87%
Multnomah	1.03%	0.69%
Polk	1.03%	0.70%
Sherman	1.24%	0.84%
Tillamook	0.65%	0.44%
Umatilla	1.21%	0.82%
Union	0.87%	0.59%
Wallowa	0.68%	0.46%
Wasco	0.67%	0.46%
Washington	1.09%	0.74%
Wheeler	0.64%	0.43%
Yamhill	0.95%	0.64%

- In June 2009, we estimated property tax liability in Oregon could add approximately 1.00% to the cost of lease financing.
- We have refined our analysis since then.
- Average 2009-2010 tax rates range from 0.56% to 1.24%.
- Effective tax rates range from 0.38% to 0.87% and assumes:
 - Depreciation of the assets over a 45 year life
 - 30 year financing.
- The bolded counties indicate where BPA currently has lease financed assets.

Summary



- BPA has a limited set of options for financing capital investments. With the ARRA borrowing authority, we project remaining Treasury borrowing authority to be depleted as early as 2016 without lease financing.
- BPA's lease financing is a low-cost alternative to ensure adequate access to needed capital over the long-term.
- BPA is managing the challenge of potential property tax liability by actively pursuing property tax exemption.
- BPA plans to use the lease financing tool in Oregon as a way to preserve limited Treasury borrowing authority.

IPR Evaluation

Mary Hawken



IPR Process Improvement Study



- IPR Electronic Survey
 - General Manager
 - <https://www.surveymonkey.com/s/BPAGMSurvey>
 - Technical Staff
 - <https://www.surveymonkey.com/s/BPATechnicalSurvey>
 - IPR Website “IPR Letter to Participants – Process Improvement”
 - <http://www.bpa.gov/corporate/Finance/IBR/IPR/>
- Available between Monday January 31-February 11, 2011

Power Services



Report ID: 0060FY11

Power Services Detailed Statement of Revenues and Expenses

Run Date/Time: January 27, 2011 11:30

Requesting BL: POWER BUSINESS UNIT

Through the Month Ended December 31, 2010

Data Source: EPM Data Warehouse

Unit of Measure: \$ Thousands

Preliminary/ Unaudited

% of Year Lapsed = 25%

	A	B	C	D	E	F
	FY 2010	FY 2011			FY 2011	FY 2011
	Actuals	Rate Case	SOY Budget	Current EOY Forecast	Actuals	Actuals per Forecast
Operating Revenues						
1 Gross Sales (excluding bookout adjustment) <Notes 1 and 4	\$2,233,570	\$2,731,880	\$2,382,317	\$2,417,046	\$650,159	27%
2 Bookout Adjustment to Sales <Note 1	(120,803)	-	-	(26,061)	(26,061)	100%
3 Miscellaneous Revenues	29,370	29,421	25,315	25,128	6,221	25%
4 Inter-Business Unit	100,981	102,735	97,842	104,167	27,524	26%
5 Derivative Instruments <Note 2	14,800	-	-	-	-	0%
6 U.S. Treasury Credits	127,690	106,569	117,541	93,800	26,916	29%
7 Total Operating Revenues	\$2,385,607	\$2,970,605	\$2,623,015	\$2,614,080	\$684,760	26%
Operating Expenses						
Power System Generation Resources						
Operating Generation						
8 COLUMBIA GENERATING STATION	256,940	324,882	323,082	323,082	92,410	29%
9 BUREAU OF RECLAMATION	82,125	96,110	96,110	96,110	19,869	21%
10 CORPS OF ENGINEERS	192,279	192,433	192,433	192,433	42,252	22%
11 LONG-TERM CONTRACT GENERATING PROJECTS	28,769	30,767	31,266	31,266	5,957	19%
12 Sub-Total	560,113	644,192	642,891	642,891	160,488	25%
Operating Generation Settlements and Other Payments						
13 COLVILLE GENERATION SETTLEMENT	16,712	21,754	21,754	21,754	5,438	25%
14 Sub-Total	16,712	21,754	21,754	21,754	5,438	25%
Non-Operating Generation						
15 TROJAN DECOMMISSIONING	2,318	2,300	1,700	1,700	475	28%
16 WNP-1&3 DECOMMISSIONING	355	428	428	1,040	106	10%
17 Sub-Total	2,673	2,728	2,128	2,740	581	21%
Gross Contracted Power Purchases (excluding bookout adjustments) <Note 1						
18 PNCA HEADWATER BENEFITS	1,948	2,620	2,201	2,201	600	27%
19 OTHER POWER PURCHASES - (e.g. Short-Term)	467,850	72,107	158,520	240,631	104,124	43%
20 Sub-Total	469,797	74,727	160,721	242,832	104,724	43%
21 Bookout Adjustments to Contracted Power Purchases <Note 1	(120,803)	-	-	(26,061)	(26,061)	100%
Augmentation Power Purchases (includes IOU Load Reduc. and Buy Backs)						
22 AUGMENTATION POWER PURCHASES	2,728	273,043	1,994	2,824	812	29%
23 Sub-Total	2,728	273,043	1,994	2,824	812	29%
Exchanges & Settlements						
24 RESIDENTIAL EXCHANGE PROGRAM <Note 4	180,453	268,647	188,987	181,990	46,229	25%
25 OTHER SETTLEMENTS	-	-	-	-	-	0%
26 Sub-Total	180,453	268,647	188,987	181,990	46,229	25%
Renewable Generation						
27 RENEWABLE CONSERVATION RATE CREDIT	4,147	2,500	2,500	2,500	654	26%
28 RENEWABLES	31,261	36,005	37,258	37,258	7,413	20%
29 Sub-Total	35,408	38,505	39,758	39,758	8,067	20%

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	A	B	C	D	E	F
	FY 2010	FY 2011			FY 2011	FY 2011
	Actuals	Rate Case	SOY Budget	Current EOY Forecast	Actuals	Actuals per Forecast
Generation Conservation						
30 DSM TECHNOLOGY	1,772	-	-	-	129	0%
31 CONSERVATION ACQUISITION	8,617	14,000	16,200	16,200	1,992	12%
32 LOW INCOME WEATHERIZATION & TRIBAL	4,735	5,000	5,000	5,000	332	7%
33 ENERGY EFFICIENCY DEVELOPMENT	15,130	20,500	11,500	11,500	1,607	14%
34 LEGACY	1,005	1,622	1,000	1,000	5	0%
35 MARKET TRANSFORMATION	9,831	14,500	13,000	13,000	2,632	20%
36 CONSERVATION RATE CREDIT (CRC)	25,781	29,500	29,500	29,500	6,813	23%
37 Sub-Total	66,870	85,122	76,200	76,200	13,511	18%
38 Power System Generation Sub-Total	1,213,951	1,408,720	1,134,434	1,184,930	313,789	26%
Power Non-Generation Operations						
Power Services System Operations						
39 INFORMATION TECHNOLOGY	5,525	6,282	7,148	5,914	493	8%
40 GENERATION PROJECT COORDINATION	5,243	7,542	5,413	5,713	1,384	24%
41 SLICE IMPLEMENTATION	2,065	2,448	1,778	1,778	464	26%
42 Sub-Total	12,832	16,272	14,340	13,406	2,341	17%
Power Services Scheduling						
43 OPERATIONS SCHEDULING	7,963	9,564	9,805	9,805	1,873	19%
44 OPERATIONS PLANNING	5,934	5,874	6,249	6,095	1,229	20%
45 Sub-Total	13,897	15,438	16,055	15,900	3,102	20%
Power Services Marketing and Business Support						
46 POWER R&D	5,429	6,133	5,030	5,030	974	19%
47 SALES & SUPPORT	17,399	19,325	20,005	19,841	4,451	22%
48 STRATEGY, FINANCE & RISK MGMT	15,141	17,343	18,373	17,675	3,403	19%
49 EXECUTIVE AND ADMINISTRATIVE SERVICES	2,450	2,727	3,529	3,503	703	20%
50 CONSERVATION SUPPORT	8,474	12,003	9,569	9,350	2,143	23%
51 Sub-Total	48,894	57,530	56,507	55,399	11,675	21%
52 Power Non-Generation Operations Sub-Total	75,623	89,240	86,901	84,705	17,119	20%
Power Services Transmission Acquisition and Ancillary Services						
PBL Transmission Acquisition and Ancillary Services						
53 POWER SERVICES TRANSMISSION & ANCILLARY SERVICES	101,416	117,401	102,922	93,908	21,717	23%
54 3RD PARTY GTA WHEELING	45,541	51,340	54,780	54,780	12,019	22%
55 POWER SERVICES - 3RD PARTY TRANS & ANCILLARY SVCS	1,811	1,000	2,017	2,017	402	20%
56 GENERATION INTEGRATION	8,707	6,800	8,296	8,296	2,278	27%
57 TELEMETERING/EQUIP REPLACEMT	127	50	50	50	2	3%
58 Power Svcs Trans Acquisition and Ancillary Services Sub-Total	157,603	176,591	168,065	159,051	36,418	23%
Fish and Wildlife/USF&W/Planning Council/Environmental Req						
BPA Fish and Wildlife (includes F&W Shared Services)						
59 Fish & Wildlife	199,590	236,000	225,000	225,000	45,313	20%
60 USF&W Lower Snake Hatcheries	23,301	24,480	24,480	24,480	4,115	17%
61 Planning Council	9,305	9,934	9,934	9,934	2,495	25%
62 Environmental Requirements	200	300	300	300	20	7%
63 Fish and Wildlife/USF&W/Planning Council Sub-Total	232,395	270,714	259,714	259,714	51,943	20%

Report ID: 0060FY11

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Preliminary/ Unaudited

% of Year Lapsed = 25%

	A	B	C	D	E	F
	FY 2010	FY 2011			FY 2011	FY 2011
	Actuals	Rate Case	SOY Budget	Current EOY Forecast	Actuals	Actuals per Forecast
BPA Internal Support						
64 Additional Post-Retirement Contribution	15,447	15,578	15,579	15,579	3,895	25%
65 Agency Services G&A (excludes direct project support)	51,937	50,064	47,886	48,427	11,504	24%
66 BPA Internal Support Sub-Total	67,383	65,643	63,464	64,005	15,399	24%
67 Bad Debt Expense	45	-	-	-	-	0%
68 Other Income, Expenses, Adjustments	(7,494)	-	-	-	-	0%
Non-Federal Debt Service						
Energy Northwest Debt Service						
69 COLUMBIA GENERATING STATION DEBT SVC	223,641	226,169	130,584	132,873	43,315	33%
70 WNP-1 DEBT SVC	150,896	167,549	174,095	174,095	41,839	24%
71 WNP-3 DEBT SVC	109,920	169,093	238,175	238,175	42,452	18%
72 EN RETIRED DEBT	-	-	-	-	-	0%
73 EN LIBOR INTEREST RATE SWAP	34,405	-	-	-	-	0%
74 Sub-Total	518,862	562,811	542,854	545,143	127,606	23%
Non-Energy Northwest Debt Service						
75 TROJAN DEBT SVC	-	-	-	-	-	0%
76 CONSERVATION DEBT SVC	5,032	4,924	4,924	4,924	1,255	25%
77 COWLITZ FALLS DEBT SVC	11,707	11,563	11,563	11,563	2,928	25%
78 NORTHERN WASCO DEBT SVC	2,229	2,196	2,196	2,196	556	25%
79 Sub-Total	18,968	18,683	18,682	18,682	4,739	25%
80 Non-Federal Debt Service Sub-Total	537,830	581,494	561,536	563,825	132,345	23%
81 Depreciation	109,168	121,235	116,000	116,000	27,298	24%
82 Amortization	75,821	85,699	84,565	84,565	21,396	25%
83 Total Operating Expenses	\$2,462,325	\$2,799,335	\$2,474,679	\$2,516,795	\$615,706	24%
84 Net Operating Revenues (Expenses)	(\$76,718)	\$171,270	\$148,336	\$97,285	\$69,054	71%
Interest Expense and (Income)						
85 Federal Appropriation	222,847	213,982	215,735	216,101	53,897	25%
86 Capitalization Adjustment	(45,937)	(45,937)	(45,937)	(45,937)	(11,484)	25%
87 Borrowings from US Treasury	34,154	58,325	45,542	41,887	8,617	21%
88 AFUDC	(9,662)	(10,200)	(11,325)	(12,309)	(2,779)	23%
89 Interest Income	(24,474)	(40,854)	(13,606)	(13,512)	(1,908)	14%
90 Net Interest Expense (Income)	176,928	175,316	190,409	186,230	46,343	25%
91 Total Expenses	\$2,639,253	\$2,974,650	\$2,665,088	\$2,703,026	\$662,049	24%
92 Net Revenues (Expenses)	(\$253,645)	(\$4,046)	(\$42,073)	(\$88,946)	\$22,710	-126%

<1 For BPA management reports, Gross Sales and Purchase Power are shown separated from the power bookout adjustment (EITF 03-11, effective as of Oct 1, 2003) to provide a better picture of our gross sales and gross purchase power.

<2 This is an "accounting only" (no cash impact) adjustment representing the mark-to-market (MTM) adjustment required by ASC 815, Derivatives and Hedging (formerly SFAS 133), for identified derivative instruments. In FY2010, BPA began applying ASC 980, Regulated Operations, treating the unrealized gains and losses on derivative instruments as Regulatory Assets and Liabilities.

<3 Although the forecasts in this report are presented as point estimates, BPA operates a hydro-based system that encounters much uncertainty regarding water supply and wholesale market prices. These uncertainties among other factors may result in large range swings +/- impacting the final results in revenues, expenses, and cash reserves.

<4 The Residential Exchange Program Lookback Amount applied is returned to the Consumer Owned Utilities (COUs) and recovered from the Investor Owned Utilities. Throughout the year actual revenue will be reduced by this amount to reflect the Lookback Amount refunds returned to COUs and actual REP expense will be reduced to reflect the Lookback Amount returned by the IOUs. Rate case estimates were developed with the Lookback Amount applied as an increase to the REP expense, without adjustment to revenue. These circumstances will present actual revenue and REP expense running under rate case estimates.

Transmission Services



Report ID: 0061FY11

Transmission Services Detailed Statement of Revenues and Expenses

Run Date/Time: January 27, 2011 11:32

Requesting BL: TRANSMISSION BUSINESS UNIT

Through the Month Ended December 31, 2010

Data Source: EPM Data Warehouse

Unit of Measure: \$ Thousands

Preliminary/ Unaudited

% of Year Lapsed = 25%

	A	B	C	D	E	F
	FY 2010	FY 2011			FY 2011	FY 2011
	Actuals	Rate Case	SOY Budget	Current EOY Forecast	Actuals	Actuals per Forecast
Operating Revenues						
Sales						
Network						
Network Integration	\$92,099	\$126,531	\$125,927	\$127,277	\$34,671	27%
Other Network	389,403	365,203	378,448	380,176	88,136	23%
Intertie	67,068	69,009	68,408	68,748	16,249	24%
Other Direct Sales	189,760	191,692	176,838	179,075	47,155	26%
Miscellaneous Revenues	32,175	32,189	33,070	32,757	7,575	23%
Inter-Business Unit Revenues	113,576	107,737	115,950	111,930	24,516	22%
Total Operating Revenues	\$884,080	\$892,361	\$898,641	\$899,964	\$218,302	24%
Operating Expenses						
Transmission Operations						
System Operations						
INFORMATION TECHNOLOGY	5,334	6,761	7,468	6,231	1,302	21%
POWER SYSTEM DISPATCHING	11,724	11,864	12,285	12,274	2,834	23%
CONTROL CENTER SUPPORT	11,088	13,541	15,399	15,333	3,089	20%
TECHNICAL OPERATIONS	6,668	6,096	7,092	7,045	1,158	16%
SUBSTATION OPERATIONS	20,239	19,206	21,269	21,250	4,612	22%
Sub-Total	55,052	57,468	63,513	62,133	12,995	21%
Scheduling						
MANAGEMENT SUPERVISION & ADMINISTRATION	-	734	-	-	(10)	0%
RESERVATIONS	2,241	1,074	5,586	5,545	912	16%
PRE-SCHEDULING	188	470	229	227	51	23%
REAL-TIME SCHEDULING	3,677	5,028	4,208	4,168	955	23%
SCHEDULING TECHNICAL SUPPORT	1,807	2,369	2,531	2,512	323	13%
SCHEDULING AFTER-THE-FACT	218	447	293	252	52	21%
Sub-Total	8,130	10,122	12,847	12,703	2,283	18%
Marketing and Business Support						
TRANSMISSION SALES	2,356	3,261	2,467	2,445	359	15%
MKTG TRANSMISSION FINANCE	305	302	296	293	59	20%
MKTG CONTRACT MANAGEMENT	3,880	4,905	4,623	4,568	1,000	22%
MKTG TRANSMISSION BILLING	2,048	2,309	2,424	2,461	490	20%
MKTG BUSINESS STRAT & ASSESS	6,005	7,007	6,170	6,052	1,588	26%
MARKETING IT SUPPORT	-	2,112	-	-	-	0%
Marketing Sub-Total	14,594	19,896	15,980	15,819	3,497	22%
EXECUTIVE AND ADMIN SERVICES	12,407	7,871	13,983	13,943	2,698	19%
LEGAL SUPPORT	2,305	3,027	3,269	3,083	433	14%
TRANS SERVICES INTERNAL GENERAL & ADMINISTRATIVE	5,339	14,865	10,213	10,206	1,766	17%
AIRCRAFT SERVICES	1,135	1,203	2,147	2,136	270	13%
LOGISTICS SERVICES	4,120	6,841	5,490	5,462	1,137	21%
SECURITY ENHANCEMENTS	542	1,429	645	645	56	9%
Business Support Sub-Total	25,848	35,236	35,747	35,476	6,359	18%
Transmission Operations Sub-Total	103,625	122,722	128,088	126,131	25,134	20%

Report ID: 0061FY11

Transmission Services Detailed Statement of Revenues and Expenses

Run Date/Time: January 27, 2011 11:32

Requesting BL: TRANSMISSION BUSINESS UNIT

Through the Month Ended December 31, 2010

Data Source: EPM Data Warehouse

Unit of Measure: \$ Thousands

Preliminary/ Unaudited

% of Year Lapsed = 25%

	A	B	C	D	E	F
	FY 2010	FY 2011			FY 2011	FY 2011
	Actuals	Rate Case	SOY Budget	Current EOY Forecast	Actuals	Actuals per Forecast
Transmission Maintenance						
System Maintenance						
36 NON-ELECTRIC MAINTENANCE	18,241	28,055	24,935	24,930	3,841	15%
37 SUBSTATION MAINTENANCE	23,809	22,784	26,665	26,637	5,665	21%
38 TRANSMISSION LINE MAINTENANCE	21,076	26,179	24,629	24,605	5,449	22%
39 SYSTEM PROTECTION CONTROL MAINTENANCE	11,377	11,317	13,278	13,214	2,763	21%
40 POWER SYSTEM CONTROL MAINTENANCE	11,579	10,659	13,497	13,440	2,744	20%
41 JOINT COST MAINTENANCE	97	200	155	155	24	15%
42 SYSTEM MAINTENANCE MANAGEMENT	5,277	6,151	8,126	8,089	1,834	23%
43 ROW MAINTENANCE	28,548	18,508	23,824	23,779	3,854	16%
44 HEAVY MOBILE EQUIP MAINT	(79)	()	()	-	(112)	0%
45 TECHNICAL TRAINING	2,588	2,723	2,830	2,810	518	18%
46 Sub-Total	122,513	126,578	137,939	137,658	26,579	19%
Environmental Operations						
47 ENVIRONMENTAL ANALYSIS	48	80	80	80	4	5%
48 POLLUTION PREVENTION AND ABATEMENT	2,870	3,915	4,133	4,587	677	15%
49 Sub-Total	2,918	3,996	4,213	4,668	681	15%
50 Transmission Maintenance Sub-Total	125,431	130,573	142,151	142,326	27,260	19%
Transmission Engineering						
System Development						
51 RESEARCH & DEVELOPMENT	6,558	5,701	6,604	6,519	383	6%
52 TSD PLANNING AND ANALYSIS	7,968	8,811	12,110	12,047	2,418	20%
53 CAPITAL TO EXPENSE TRANSFER	1,505	4,000	4,000	4,000	101	3%
54 REGULATORY & REGION ASSOC FEES	6,875	5,083	7,551	7,896	1,943	25%
55 ENVIRONMENTAL POLICY/PLANNING	1,315	1,853	1,768	1,758	286	16%
56 Sub-Total	24,221	25,448	32,033	32,220	5,131	16%
57 Transmission Engineering Sub-Total	24,221	25,448	32,033	32,220	5,131	16%
Trans. Services Transmission Acquisition and Ancillary Services						
BBL Acquisition and Ancillary Products and Services						
58 ANCILLARY SERVICES PAYMENTS	88,868	87,217	86,799	90,747	24,038	26%
59 OTHER PAYMENTS TO POWER SERVICES	8,798	11,884	8,928	8,928	2,233	25%
60 STATION SERVICES PAYMENTS	3,315	3,629	3,629	3,606	1,253	35%
61 Sub-Total	100,981	102,730	99,356	103,282	27,524	27%
Non-BBL Acquisition and Ancillary Products and Services <Note 1						
62 LEASED FACILITIES	7,501	6,457	1,489	1,489	1,176	79%
63 GENERAL TRANSFER AGREEMENTS (settlement)	762	500	356	356	-	0%
64 NON-BBL ANCILLARY SERVICES	539	6,735	5,686	5,417	163	3%
65 Sub-Total	8,801	13,692	7,531	7,262	1,339	18%
66 Trans. Srvcs. Acquisition and Ancillary Services Sub-Total	109,782	116,422	106,887	110,544	28,863	26%
Transmission Reimbursables						
Reimbursables						
67 EXTERNAL REIMBURSABLE SERVICES	5,279	8,681	7,690	8,058	2,277	28%
68 INTERNAL REIMBURSABLE SERVICES	3,822	1,319	2,231	2,372	699	29%
69 Sub-Total	9,100	10,000	9,920	10,430	2,976	29%
70 Transmission Reimbursables Sub-Total	9,100	10,000	9,920	10,430	2,976	29%

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Transmission Services Detailed Statement of Revenues and Expenses

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	A	B	C	D	E	F
	FY 2010	FY 2011			FY 2011	FY 2011
	Actuals	Rate Case	SOY Budget	Current EOY Forecast	Actuals	Actuals per Forecast
BPA Internal Support						
71 Additional Post-Retirement Contribution	15,447	15,579	15,579	15,579	3,895	25%
72 Agency Services G & A (excludes direct project support)	50,362	49,110	56,309	56,262	13,530	24%
73 BPA Internal Support Subtotal	65,809	64,688	71,888	71,840	17,425	24%
Other Income, Expenses, and Adjustments						
74 Bad Debt Expense	567	-	-	-	(76)	0%
75 Other Income, Expenses, Adjustments	7,155	-	-	3,462	3,538	102%
76 Undistributed Reduction	-	(2,000)	-	-	-	0%
77 Non-Federal Debt Service <Note 1	-	-	-	-	-	0%
78 Depreciation	182,054	199,313	191,500	191,500	46,683	24%
79 Amortization <Note 1	1,328	2,223	1,400	1,400	683	49%
80 Total Operating Expenses	\$629,072	\$669,389	\$683,868	\$689,854	\$157,617	23%
81 Net Operating Revenues (Expenses)	\$255,008	\$222,971	\$214,774	\$210,111	\$60,685	29%
Interest Expense and (Income)						
82 Federal Appropriation	34,658	27,538	29,485	29,217	7,304	25%
83 Capitalization Adjustment	(18,968)	(18,968)	(18,968)	(18,968)	(4,742)	25%
84 Borrowings from US Treasury	75,720	113,200	87,191	85,696	19,788	23%
85 Debt Service Reassignment	56,781	56,780	56,780	56,780	14,195	25%
86 Customer Advances	8,135	-	9,300	9,300	2,335	25%
87 Lease Financing	20,718	40,878	24,011	22,522	5,767	26%
88 AFUDC	(23,204)	(22,648)	(25,550)	(26,200)	(5,830)	22%
89 Interest Income	(30,644)	(24,673)	(29,060)	(28,252)	(5,561)	20%
90 Net Interest Expense (Income)	123,195	172,107	133,189	130,095	33,256	26%
91 Total Expenses	\$752,266	\$841,496	\$817,057	\$819,949	\$190,874	23%
92 Net Revenues (Expenses)	\$131,814	\$50,864	\$81,585	\$80,016	\$27,428	34%

<1 Beginning in FY 2004, consolidated actuals reflect the inclusion of transactions associated with a Variable Interest Entity (VIES), which is in accordance with the FASB Interpretation No. 46 (FIN 46) that is effective as of December, 2003. VIES information is not included in rate case and budget data.

Appendix 2

June 8, 2010 Debt Management Workshop
Access to Capital/Lease Financing
Presentation



Borrowing Authority Modeling Scenarios and Assumptions



May 2010 IPR Update

BASE CASE ASSUMPTIONS

- Capital forecast: New capital forecast for 2010-2017; 2017-29 forecast is a shaped and escalated forecast. Total Treasury bond capital projections for 2010-2029 is \$19.1 billion
- CRFM projections: Power only, \$803 million in total through 2029
- All capital categories that were lapsed for the May 2010 IPR update (Federal Hydro, Construction, Environment, and all Corporate except for IT) were lapsed for the 20 year period for this analysis (15% lapse factor).
- Reserve finance: Transmission = \$15 million per year 2010-2029; Power = \$0
- CGS new capital: Power only, \$903 million in total through 2028; 2009-2012 level debt service from 2020-24, 2013-2028 level debt service for rolling 20 years
- Interest rates forecast: Official BPA forecast from 11/4/09

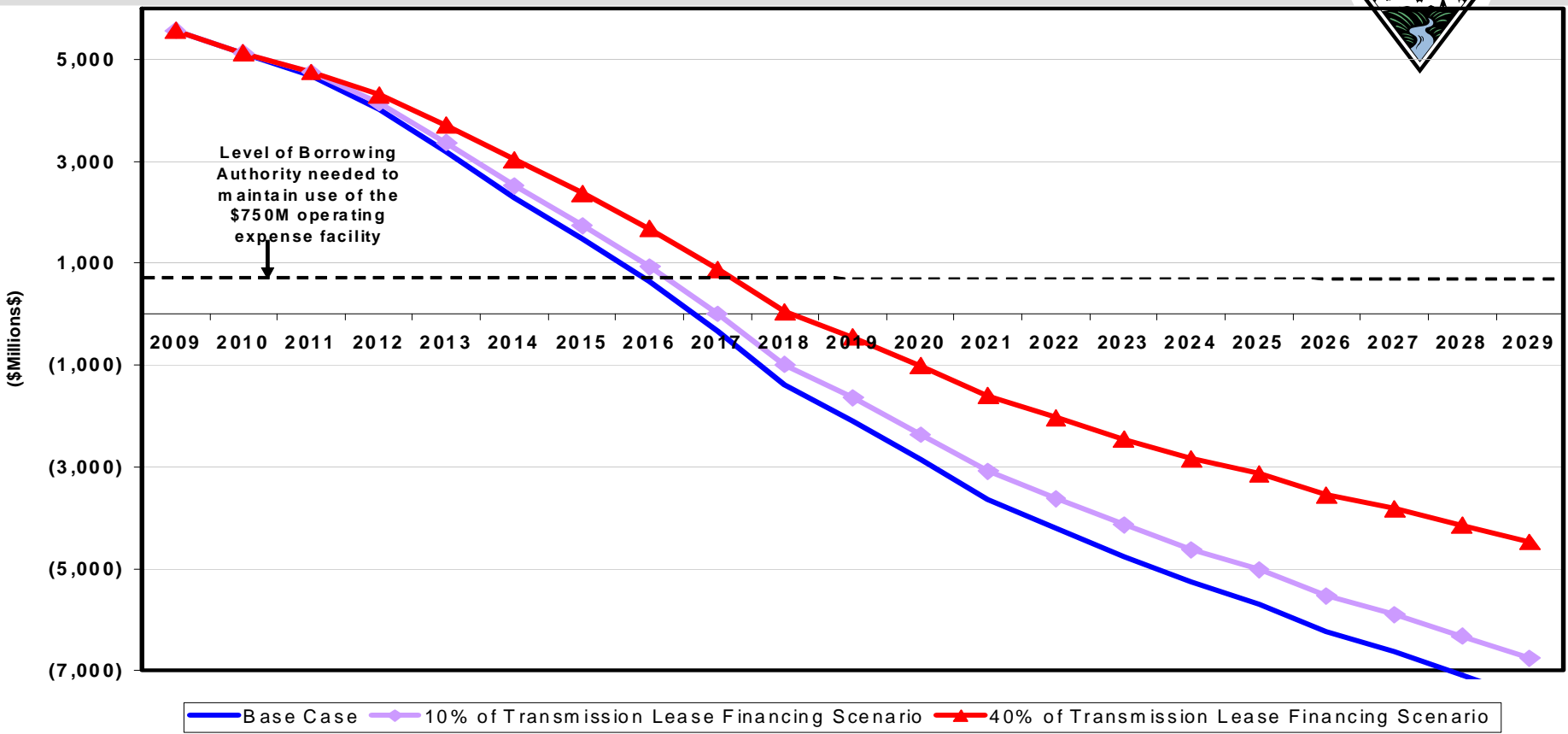
BASE CASE + 10% of TRANSMISSION CAPITAL LEASE FINANCING

Same as above, except add Lease Financing projections through 2029 totaling \$918 million

BASE CASE + 40% of TRANSMISSION CAPITAL LEASE FINANCING

Same as above, except add Lease Financing projections through 2029 totaling \$3.5 billion

Remaining Treasury Borrowing Authority: May 2010 IPR Update



- Chart data are consistent with the capital from the May 2010 IPR update.
- All capital categories that were lapsed for the May 2010 IPR update (Federal Hydro, Construction, Environment, and all Corporate except for IT) were lapsed for the 20 year period for this analysis (15% lapse factor).
- \$15M of reserve financing for Transmission was assumed for each of the 20 years of the analysis.
- Assuming that BPA reserves \$750 million of borrowing authority in order to maintain access to the operating expense liquidity facility, Treasury borrowing authority could expire as early as:

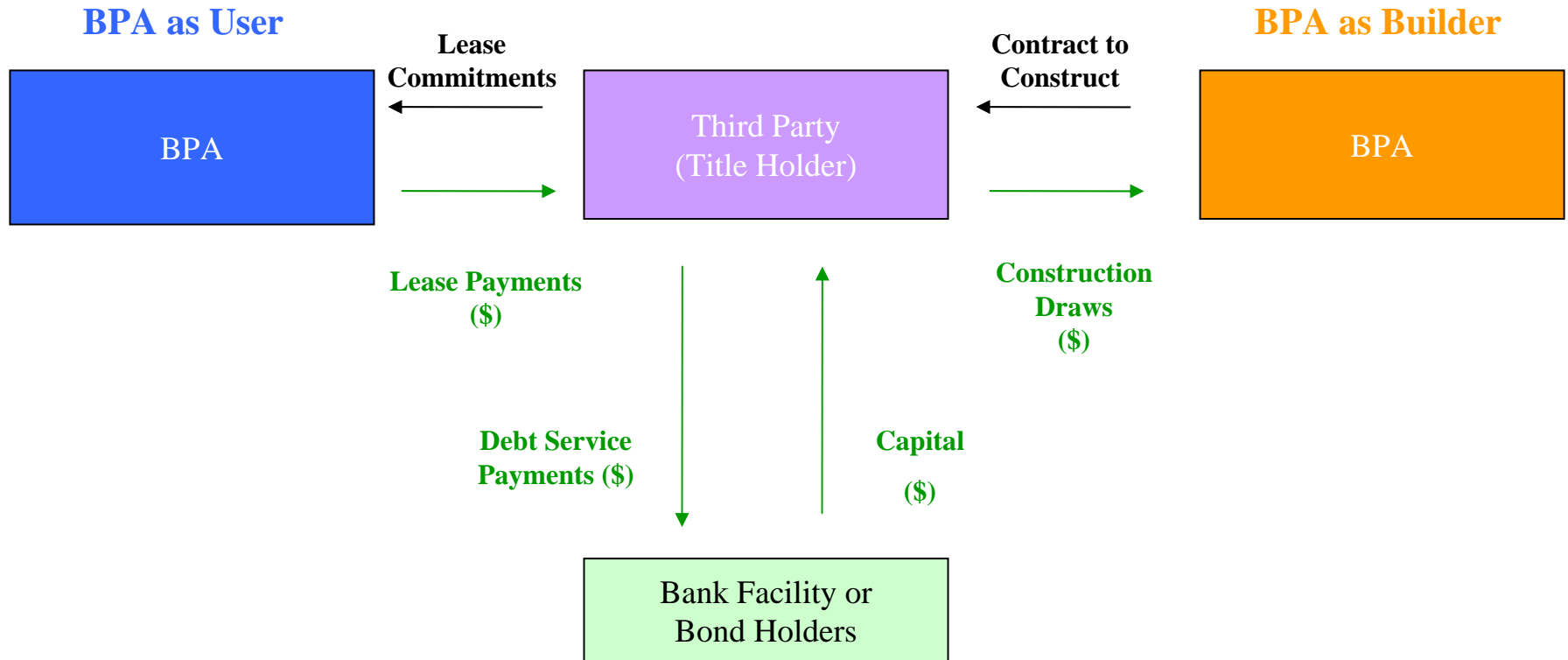
Base Case	10% Lease Financing Scenario	40% Lease Financing Scenario
2016	2017	2018

Remaining Treasury Borrowing Authority: May 2010 IPR Update cont.



- Even with the increased borrowing authority from ARRA, without the Lease Financing program, BPA projects remaining Treasury borrowing authority may be exhausted as early as 2016 when reserving \$750M for the operating expense facility.
- Higher capital projections are the primary driver for this forecast and for the steep slope of the base line.
- Lease financing can help to preserve borrowing authority. Assuming \$750M is reserved for the operating expense facility:
 - If 10% of Transmission's capital program is assumed to be lease financed each year, then we anticipate running out of borrowing authority as soon as 2017.
 - If 40% of Transmission's capital program is assumed to be lease financed each year, then we anticipate running out of borrowing authority as soon as 2018.
- Currently, lease financing is BPA's most cost effective tool for preserving Treasury borrowing authority, however, we have only used it to finance Transmission capital.

Lease Financing Structure Review



BPA has implemented two types of lease financing:

- The third party can issue long term bonds to finance the construction of the asset. This method used primarily to finance stand alone, large projects such as the Schultz-Wautoma line. In this situation, BPA enters into a long term lease with the third party to match the terms of the financing.
- The third party may use funds from a short term line of credit to finance the construction. This structure is used to finance multiple smaller projects. BPA enters into a short-term lease with the third party (seven years) to match the terms of the financing. After the construction of the assets is completed and the lease period ends, the third party issues long-term bonds and renegotiates the term of the lease.

Lease Financing Structure Review cont.



- BPA enters into a series of individual lease commitments with one or more bankruptcy remote special purpose entities.
- BPA's lease payment commitments are to be made regardless of whether the related facility is completed, operable or operating.
- The third party irrevocably pledges BPA lease payments to the payment of bank loans or other debt.
- The related project assets are not pledged as collateral.
- The third party initially holds title to the assets, but BPA obtains full benefit and use of the assets.
- BPA pays all costs to operate and maintain the assets.
- At the end of the lease, BPA will acquire title to the assets for a nominal charge.
- BPA has only used this mechanism to finance Transmission capital projects.
 - BPA does not own the Corps of Engineers and Bureau of Reclamation assets
 - Conservation and Fish & Wildlife capital are intangible assets and BPA typically doesn't hold title.
- Lease financing can not be used for all Transmission capital projects. Land and access roads are some examples of projects that are excluded from the program.
- Assets not leased initially become a permanent lost opportunity for preserving borrowing authority.

Lease Financing Program Status



- Since the start of the Lease Financing program in 2004, BPA has entered into roughly \$447M leases for projects located in three different states with four different third parties:
- BPA has lease agreements with the Northwest Infrastructure Financing Corporation (NIFC), NIFC II, NIFC III, and NIFC IV. All of these third parties are bankruptcy remote, special purpose entities under Global Securitization Services.

LEASE COMMITMENT AMOUNT BY ENTITY	
NIFC I	\$120M
NIFC II	\$90M
NIFC III	\$200M
NIFC IV	\$37M
	<u>\$447M</u>

LEASE COMMITMENT AMOUNT BY FISCAL YEAR	
2004	\$120M
2007	\$51M
2008	\$148M
2009	\$126M
2010	\$2M
	<u>\$447M</u>

LEASE FINANCING RATE COMPARISON			
	WEIGHTED AVERAGE ALL IN RATE	COMPARABLE TREASURY FINANCING RATE	DELTA
NIFC I	5.52%	5.23%	0.29%
NIFC II	5.54%	4.63%	0.91%
NIFC III	3.90%	3.73%	0.17%
NIFC IV	5.70%	3.71%	1.99%

Property Taxes



- At the June 2009 Lease Financing update, we mentioned that one of the risks to the overall program costs was property tax expense.
- At that time, we estimated that property taxes could add approximately 1.00% to the all in costs for lease financed projects in Oregon and 0.70% to the all in costs for projects in Idaho.
- In order to mitigate the potential property tax expense, BPA has an ongoing effort to obtain property tax exemptions for the program.

Property Taxes cont.



Montana:

- Due to high property tax rates and low levels of investment, BPA has chosen to not lease finance projects in Montana at this time.

Washington:

- Lease financed assets are exempt from property taxes.
- When the Schultz-Wautoma lease was set up, the Washington Department of Revenue issued a favorable ruling on the basis that the arrangement was a financing lease and that "the property interests in the project should be treated as though they are owned by BPA."

Idaho:

- Lease financed assets are subject to property taxes.
- The NIFCs paid roughly \$70,000 in property tax payments under protest to the Idaho Tax Commission for the 2009 tax year.
- BPA is exploring the use of the Idaho Energy Resource Authority (IERA) as a third party. IERA may be tax exempt in Idaho.

Property Taxes cont.



Oregon:

- In April 2008, BPA began discussions with the Oregon Department of Revenue (DOR) regarding potential grounds for exemption.
- BPA asked the DOR for “informal advice” in order to assess the likelihood of property tax exemption. In response, the DOR indicated that the exemption would be denied (October 2008).
- From November 2008 through March 2009, legislation in Oregon granting an exemption was under consideration.
- On May 15, 2009, BPA submitted a request to the DOR for a formal Declaratory Ruling (after the legislative route did not materialize).
- On January 20, 2010, the DOR issued a Declaratory Ruling, declaring that because NIFC owns the projects, the assets are subject to property tax.
- BPA filed the complaint against the State of Oregon and Clackamas County on May 6. We expect the State to file an answer by July 16th and will have a conference call with all parties in early June to determine when Clackamas County will file its answer.
- We anticipate that the litigation could take up to two years to resolve.
- The DOR/counties have agreed to delay assessment of tax pending the final outcome of litigation.
- The Department of Justice and BPA believe that the lease-financed projects are effectively federal assets, which are not subject to state tax. In addition, Justice believes that the state tax statute discriminates against the federal government.
- We felt it was in the ratepayers’ best interests to continue to pursue property tax exemptions in the state of Oregon through litigation.

Challenges for the Lease Financing Program



Property Taxes

- BPA has a limited set of options for financing capital investments. BPA's lease financing is a low-cost alternative to ensure adequate access to needed capital over the long-term. Potential property tax liability on top of the added financing costs makes this alternative much less attractive. The increased costs from the taxes:
 - Puts constraints on capital alternatives,
 - Sub-optimizes the value of BPA's project financing alternatives with regional consumers ultimately bearing the additional cost and
 - Could potentially lead to delays in making transmission investments.
- BPA is managing this challenge by actively pursuing property tax exemptions.

Access to Lines of Credit – this issue only effects the lease financing program whereby the third party uses a line of credit to finance the initial investment.

- Currently, credit markets are still tight. Securing lines of credit in amounts large enough to support the program at a level high enough to sustain borrowing authority could be difficult.
- A seven year repayment term on the short term line of credit is a requirement for the lease financing program. The tight credit markets may make it difficult for banks to extend credit for that length of time.
- If additional lines of credit can be secured, it could come at a higher cost than desired due to the market conditions.
- This challenge is being managed by communicating with banks to gauge the credit market.

Third Party Costs

- BPA is receptive to alternative third-parties and third-party financing models but we always consider the cost effectiveness of the program.

Access to Capital and Lease Financing Summary



- Currently lease financing is BPA's lowest cost alternative form of financing Transmission capital.
- Not all of transmission's capital investments qualify for lease financing.
- By striving to meet the Administration's objectives for the use of ARRA borrowing authority, we have decreased the lease financing program size for FY10. However, the updated borrowing authority chart illustrates the need for BPA to continue a robust lease financing program.
- Potential property tax liability on top of the added financing costs makes this alternative much less attractive and could potentially hinder future investments.
- BPA believes that property tax litigation against the state of Oregon was the prudent thing to do to address inequities of potential tax assessment.