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# **Northwest Power and Conservation Council February 2004 Financial Update**

**Jim Curtis  
Bonneville Power Administration  
Chief Financial Officer**



# First Quarter Financial Review

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- **BPA ended FY2003 with \$511 million in financial reserves and \$555.4 in net revenue. However, these results are not as positive as they would seemingly suggest. The net revenue results are higher due to the impacts of debt optimization.**
- **Removing accounting adjustments and several one-time gains connected to Energy Northwest debt service, FY2003 combined Agency Modified Net Revenues were \$36.9 million. Power Modified Net Revenue was \$39 million.**
- **Net revenues and cash have fluctuated a bit in the first quarter of FY2004 but overall not much has changed since we set the Safety Net CRAC.**
- **Although revenues are slightly lower in the forecast, cost management actions offset this decrease.**



**Federal Columbia River Power System**  
**Statement of Revenues and Expenses – PNPC**  
Through the Month Ended December 31, 2003  
Preliminary/Unaudited

	A	B <Note 2	C <Note 3	D	E
	Actuals: FY 2003	PBL & TBL Rate Cases: FY 2004	Forecast: First Quarter FY 2004	Actuals: FYTD 2004	Actuals: FYTD 2003
<b>Operating Revenues</b>					
1 Sales	3,328,277	3,365,554	3,214,322	789,633	873,751
2 Miscellaneous Revenues	49,077	47,983	51,239	12,844	9,183
3 Derivatives - Mark to Market Gain (Loss) <Note 1	55,265		(1,210)	(1,210)	47,134
4 U.S. Treasury Credits	179,484	81,675	70,851	20,804	14,245
5 <b>Total Operating Revenues</b>	<b>3,612,104</b>	<b>3,495,212</b>	<b>3,335,201</b>	<b>822,071</b>	<b>944,313</b>
<b>Operating Expenses</b>					
Power System Generation Resources					
Operating Generation Resources					
6 Columbia Generating Station	205,153	216,900	221,665	49,613	65,622
7 Bureau of Reclamation	54,041	61,300	61,300	13,000	14,458
8 Corps of Engineers	129,383	140,500	140,500	26,000	31,475
9 Long-term Generating Projects	26,105	31,346	28,355	3,319	3,824
10 Operating Generation Settlement Payment	16,709	17,000	16,838	3,813	3,813
11 Non-Operating Generation	9,136	12,200	1,442	(3,859)	12
12 Contracted Power Purchases and Augmentation Power Purchases	1,007,997	692,886	660,012	189,072	288,492
13 Residential Exchange/IOU Settlement Benefits	143,967	143,802	143,802	34,717	34,942
14 Renewable and Conservation Generation, including C&RD	83,059	89,724	91,199	22,723	11,860
15 <b>Subtotal Power System Generation Resources</b>	<b>1,675,550</b>	<b>1,405,658</b>	<b>1,365,113</b>	<b>338,398</b>	<b>454,499</b>
16 PBL Transmission Acquisition and Ancillary Services	47,648	49,000	48,499	3,918	6,802
17 PBL Non-Generation Operations	62,649	66,629	64,421	12,300	10,631
18 TBL Transmission Acquisition and Ancillary Services	5,617	8,321	7,108	1,762	1,811
19 Transmission Operations	76,519	96,312	85,682	18,357	18,269
20 Transmission Engineering	13,424	20,533	17,026	1,369	1,521
21 Transmission Maintenance	78,257	84,491	83,189	16,967	18,480
22 Fish and Wildlife/USF&W/Planning Council	169,918	163,445	165,526	5,514	22,134
23 General and Administrative/Shared Services					
24 CSRS	35,100	30,950	30,950	7,725	8,775
25 Corporate Support - G&A and Shared Services/TBL Supply Chain	83,987	100,728	89,232	19,185	15,570
26 Other Expense Adjustments	(7,140)		(7,038)	(918)	3,395
27 Non-Federal Debt Service	119,534	584,819	349,765	64,322	55,066
28 Depreciation & Amortization	350,025	355,655	357,389	88,836	85,929
29 <b>Total Operating Expenses</b>	<b>2,711,089</b>	<b>2,966,540</b>	<b>2,656,863</b>	<b>577,734</b>	<b>702,883</b>
30 <b>Net Operating Revenues (Expenses)</b>	<b>901,015</b>	<b>528,672</b>	<b>678,338</b>	<b>244,336</b>	<b>241,431</b>
<b>Interest Expense</b>					
31 Interest	378,989	383,945	363,328	82,399	98,494
32 AFUDC	(33,398)		(34,600)	(7,823)	(10,906)
33 <b>Net Interest Expense</b>	<b>345,591</b>	<b>383,945</b>	<b>328,728</b>	<b>74,576</b>	<b>87,588</b>
34 <b>Net Revenues (Expenses) from Continuing Operations</b>	<b>555,424</b>	<b>144,727</b>	<b>349,610</b>	<b>169,761</b>	<b>153,843</b>
35 <b>Net Revenues (Expenses)</b>	<b>\$555,424</b>	<b>\$144,727</b>	<b>\$349,610</b>	<b>\$169,761</b>	<b>\$153,843</b>

<1 This is an "accounting only" (no cash impact) adjustment representing the mark-to-market (MTM) adjustment required by SFAS 133, as amended, for identified derivative instruments

<2 PBL Rate Case amounts are from the final SNCRAC ROD data that was presented at the August 28th, 2003 Customer Workshop, which did not include any results from debt refinancing.

The TBL groupings of expenses by programs and sub-programs for FY 2004 estimates, developed as part of the 2004 Rate Case, have been reconstituted to match the groupings shown on this report.

<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.



**PBL Statement of Revenues and Expenses – PNPC**  
Through the Month Ended December 31, 2003  
Preliminary/Unaudited

	A	B	C	D	E
	Actuals: FY 2003	SNCRAC Aug 2003 Forecast: FY 2004<Note 2	Forecast: First Quarter FY 2004<Note 3	Actuals: FYTD 2004	Actuals: FYTD 2003
<b>Operating Revenues</b>					
1 Sales	2,806,781	2,812,175	2,711,269	658,853	738,567
2 Miscellaneous Revenues	17,856	15,670	19,284	5,899	4,016
3 Inter-Business Unit	85,425	80,326	73,895	19,037	18,929
4 Derivatives - Mark to Market Gain (Loss) <Note 1	55,265		(1,210)	(1,210)	47,134
5 U.S. Treasury Credits	179,484	81,675	70,851	20,804	14,245
6 <b>Total Operating Revenues</b>	<b>3,144,811</b>	<b>2,989,847</b>	<b>2,874,089</b>	<b>703,384</b>	<b>822,892</b>
<b>Operating Expenses</b>					
Power System Generation Resources					
Operating Generation Resources					
7 Columbia Generating Station	205,153	216,900	221,665	49,613	65,622
8 Bureau of Reclamation	54,041	61,300	61,300	13,000	14,458
9 Corps of Engineers	129,383	140,500	140,500	26,000	31,475
10 Long-term Generating Projects	26,105	31,346	28,355	3,319	3,824
11 Operating Generation Settlement Payment	16,709	17,000	16,838	3,813	3,813
12 Non-Operating Generation	9,136	12,200	1,442	(3,859)	12
13 Contracted Power Purchases and Augmentation Power Purchases	1,007,997	692,886	660,012	189,072	288,492
14 Residential Exchange/IOU Settlement Benefits	143,967	143,802	143,802	34,717	34,942
15 Renewable and Conservation Generation, including C&RD	83,171	89,724	91,199	22,723	11,862
16 <b>Subtotal Power System Generation Resources</b>	<b>1,675,661</b>	<b>1,405,658</b>	<b>1,365,113</b>	<b>338,398</b>	<b>454,500</b>
17 PBL Transmission Acquisition and Ancillary Services	156,882	190,000	166,749	29,392	38,145
18 Power Non-Generation Operations	63,035	67,268	64,421	12,318	10,665
19 Fish and Wildlife/USF&W/Planning Council	170,289	163,700	165,526	5,525	22,161
General and Administrative/Shared Services					
20 CSRS	17,550	15,500	15,500	3,863	4,388
21 Corporate Support - G&A and Shared Services; TBL Support - Supply Chain	34,365	39,230	39,104	8,397	6,865
22 Other Expense Adjustments	(6,192)		(38)	(38)	
23 Non-Federal Debt Service	434,734	584,819	483,119	109,217	109,816
24 Depreciation & Amortization	178,896	176,842	181,235	43,403	44,418
25 <b>Total Operating Expenses</b>	<b>2,725,220</b>	<b>2,643,017</b>	<b>2,480,729</b>	<b>550,475</b>	<b>690,956</b>
<b>Net Operating Revenues (Expenses)</b>	<b>419,591</b>	<b>346,830</b>	<b>393,359</b>	<b>152,909</b>	<b>131,936</b>
<b>Interest Expense</b>					
27 Interest	192,521	217,785	193,560	45,784	54,195
28 AFUDC	(15,926)		(11,500)	(2,883)	(6,985)
29 <b>Net Interest Expense</b>	<b>176,595</b>	<b>217,785</b>	<b>182,059</b>	<b>42,901</b>	<b>47,211</b>
<b>Net Revenues (Expenses) from Continuing Operations</b>	<b>242,996</b>	<b>129,045</b>	<b>211,300</b>	<b>110,009</b>	<b>84,725</b>
<b>Net Revenues (Expenses)</b>	<b>\$242,996</b>	<b>\$129,045</b>	<b>\$211,300</b>	<b>\$110,009</b>	<b>\$84,725</b>

<1 This is an "accounting only" (no cash impact) adjustment representing the mark-to-market (MTM) adjustment required by SFAS 133, as amended, for identified derivative instruments

<2 PBL Rate Case amounts are from the final SNCRAC ROD data that was presented at the August 28th, 2003 Customer Workshop, which did not include any results from debt refinancing.

<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.



**Modified Net Revenue – PNPCC**  
Through the Month Ended December 31, 2003  
Preliminary/Unaudited

	A	B	C	D	E	F
	Actuals: FY 2000	Actuals: FY 2001	Actuals: FY 2002	Actuals: FY 2003	Rate Case: FY 2004	Forecast: FY 2004 First Quarter <Note 5
1 PBL Net Revenue (Expense)	252,130	(212,043)	(87,421)	242,996	129,045	211,300
2 PBL Modified Net Revenue Adjustments <Note 1	(81,677)	(205,730)	(303,051)	(203,350)		(94,613)
3 PBL Modified Net Revenue <Note 2	170,453	(417,773)	(390,472)	39,646	129,045	116,687
4 PBL Accumulated Net Revenue <GSRP Defined, see Note 3	170,453	(247,321)	(637,793)	(598,147)	(469,102)	(481,460)
5 FBCRAC Threshold Amount <Note 4	—	(386,000)	(408,000)	(378,000)	(264,000)	(264,000)
6 MNR Improvements Required for Zero Percent FBCRAC						217,460
7 FCRPS MNR	159,300	(374,625)	(346,387)	36,874	144,726	106,143

<1 Consistent with the GRSP's, the Modified Net Revenue (MNR) is an adjustment to Net Revenues for the purpose of calculating the rate case Financial and Safety-net Cost Recovery Adjustment clause. The MNR excludes the impact of SFAS 133 transactions (Accounting for Derivative Instruments and Hedging Activities); for Debt Service, the MNR excludes actual ENW debt service and substitutes the Energy Northwest debt service expenses as forecasted in the WP-02 Final Studies.

<2 FYTD PBL MNR equals \$75,337 (thousands) and FYTD FCRPS MNR equals \$90,194 (thousands).

<3 The GRSP's definition of the Accumulated Net Revenue (ANR) differs from the accounting standard definition of ANR. The GRSP's defined ANR is used in determining the FBCRAC rates; the GRSP's ANR represents the accounting standard Accumulated Net Revenue (starting 09/30/99) less the accumulated effects of FAS 133 and ENW debt refinancing activities (see note 1.)

<4 In accordance with the GRSP's, the FBCRAC thresholds were established to provide an upward adjustment to rates to address declining financial circumstances.

The thresholds are established as a benchmark in which to evaluate the financial condition. The FBCRAC thresholds for the ends of FY 2003 - 2005 are reset to equal the SNCRAC thresholds each time the SNCRAC thresholds are recalculated. [SN-03-A-02]

<5 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.

This report is not an absolute prediction of future revenues or costs, nor does it reflect the actual ANR for the end of the fiscal year, (unless otherwise indicated.)

This report should not be used for investment purposes, nor is it a guarantee that the actual ANR will be achieved as forecasted.



# TBL Statement of Revenues and Expenses – PNPC

Through the Month Ended December 31, 2003

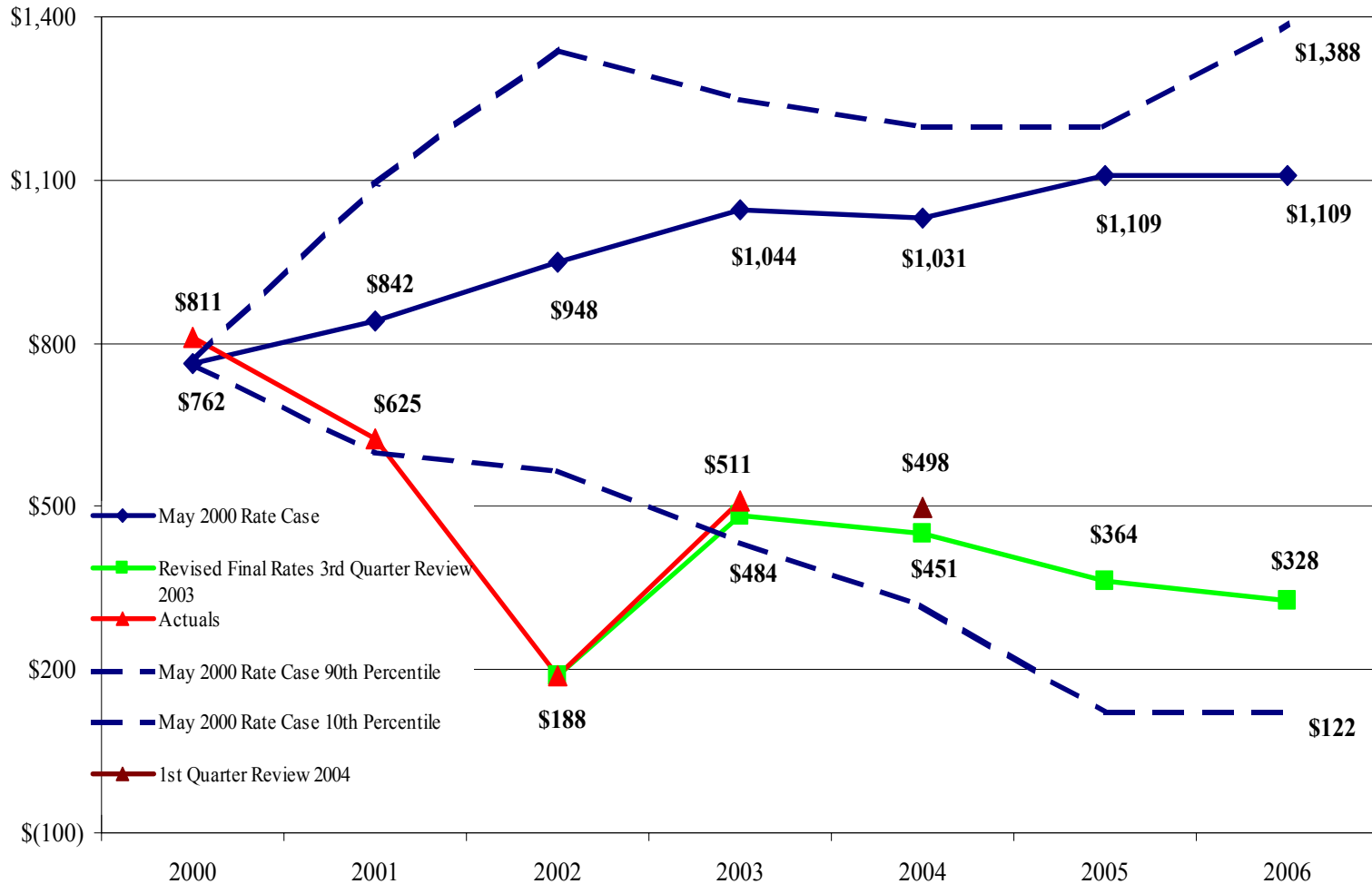
Preliminary/Unaudited

	A	B	C	D	E
	Actuals: FY 2003	Rate Case: FY 2004	Forecast: First Quarter FY 2004	Actuals: FYTD 2004	Actuals: FYTD 2003
<b>Operating Revenues</b>					
1 Sales	521,496	553,379	503,052	130,780	135,184
2 Miscellaneous Revenues	31,221	32,313	31,954	6,944	5,166
3 Inter-Business Unit Revenues	110,884	138,324	118,126	25,514	29,480
4 <b>Total Operating Revenues</b>	663,601	724,016	653,133	163,238	169,830
<b>Operating Expenses</b>					
5 TBL Transmission Acquisition and Ancillary Services	91,013	88,623	84,416	20,799	20,503
6 Transmission Operations	76,840	96,312	85,682	18,357	18,323
7 Transmission Engineering	13,495	20,533	17,026	1,369	1,521
8 Transmission Maintenance	78,257	84,491	83,189	16,967	18,480
General and Administrative/Shared Services					
9 CSRS	17,550	15,450	15,450	3,863	4,388
Corporate Support (G&A and Shared Services) and					
10 TBL Support (Supply Chain)	49,920	61,498	50,128	10,787	8,706
11 Other Expense Adjustments	(828)		(7,000)	(116)	(108)
12 Depreciation & Amortization	171,130	178,813	176,154	45,433	41,511
13 <b>Total Operating Expenses</b>	497,378	545,720	505,045	117,459	113,323
14 <b>Net Operating Revenues (Expenses)</b>	166,224	178,296	148,088	45,779	56,507
<b>Interest Expense</b>					
15 Interest	186,468	190,653	185,268	40,491	44,298
16 AFUDC	(17,472)	(24,493)	(23,100)	(4,912)	(3,880)
17 <b>Net Interest Expense</b>	168,996	166,160	162,168	35,579	40,419
18 <b>Net Revenues (Expenses) from Continuing Operations</b>	(2,772)	12,136	(14,080)	10,200	16,088
19 <b>Net Revenues (Expenses)</b>	(\$2,772)	\$12,136	(\$14,080)	\$10,200	\$16,088



# BPA Year-End Financial Reserves

\$ in Millions



\*90 Percentile and Expected values in the May 2000 Rate Case Forecasts have been adjusted by the probable DDC implementation



## Access to Treasury Capital with and without Future Debt Optimization

