



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

November 22, 2006

In reply refer to: T-DITT2

Dear Programs in Review Participant:

Beginning last May and extending through the summer, the Bonneville Power Administration conducted a public process called Programs in Review (PIR). This process engaged the region in discussions about Transmission Services' fiscal year 2008 and 2009 program levels and program costs. During this public process, BPA presented information about its transmission programs and invited customers, tribes, constituents and other regional stakeholders to comment on and make recommendations related to these programs.

This letter reflects the results of that process. It provides (1) an update on where Transmission Services' program costs now stand compared to the initial PIR proposal; (2) a comparison of program levels for the upcoming rate period versus the current rate period; and (3) my tentative decision for Transmission Services' program levels for fiscal years 2008 and 2009. Because there have been recent updates in program levels, we are providing a two-week comment period on the cost changes noted below. Comment instructions are included at the end of this letter.

But before I get into program specifics, I want to thank all of you for your participation and thoughtful suggestions on our programs, as well as on improvements to the process we use to develop program levels. Your input is extremely valuable to us and has helped shape these program levels.

The PIR was a comprehensive review that provided a number of public engagement opportunities. We held five regional workshops in May and June to present proposed capital and expense levels along with business and policy considerations. We provided a separate briefing to the Affiliated Tribes of Northwest Indians, and we also sponsored a technical workshop at the request of our customers. During this time, Transmission and Corporate staff provided additional detail and clarifying information in response to customer and stakeholder comments and questions. These responses, as well as detailed meeting notes and related questions and answers, are available on Transmission Services' FY 2006 PIR Website. Comments were accepted from May 25 through September 7, 2006.

I believe the program levels reported below are necessary and appropriate and can be achieved with little overall impact to customers. Program details and considerations are available in the attached appendices. Throughout the PIR process we have worked hard to achieve operational excellence while balancing BPA's core objectives of high reliability, low cost and environmental stewardship.

## **Expense Programs**

Since the initial PIR roll out, Transmission Services has identified some key program areas – both capital and expense – that require adjustments to the numbers presented in May and June. For FY 2008 and FY 2009, expense programs are now projected to be \$359.5 million and \$375.2 million, respectively. This reflects an average increase of \$15.2 million in total transmission expense levels since the initial PIR numbers were presented. However, of that increase, \$12.2 million is a financial reporting shift (see first bullet below for explanation), and only \$3 million (less than 1 percent) is an increase in total transmission cost. The primary changes in transmission programs are reflected in the following areas:

- Non-Federal Project Debt Service: This represents a reclassification only. This category was reclassified as a program expense and moved from net federal interest, which is not in the scope of the PIR. It increased program levels by \$12.2 million but reduced net interest by an equal amount. No net change in total transmission cost.
- Agency services: An increase in this category is due to additional funds for ColumbiaGrid functional agreements, Continuity of Operation Programs (COOP) and Information Technology (IT) support. (COOP programs refer to emergency plans beyond short-term recovery plans.) Net increase of \$2.4 million.
- Operations and maintenance: Overall, operations and maintenance programs increased. The changes included a \$4.3 million increase for capital to expense adjustments and a \$1 million increase for wages. By law, BPA's hourly workforce wages are set based on prevailing rates paid by the industry. Typically this has been determined by a composite of wage rates paid by six to eight Northwest utilities. The resulting wage increase in the new contract (expected to be in place in next spring) will be above the rate of inflation assumed in the initial PIR because Northwest utilities' wages have grown faster than the rate of inflation. In addition, there is a \$1 million increase for fine tuning various programs. Net increase of \$6.3 million.
- Ancillary services: The overall decrease in ancillary services was \$8.5 million, but this was offset by a \$3 million increase in reliability dispatch (growing out of discussions in public forums on congestion management) and a \$0.3 million decrease for stability reserves and changes in lease agreements. The figure is consistent with BPA's power rate proposal. Net decrease of \$5.8 million.

## **Capital Programs**

The capital programs for FY 2008 and 2009 will be \$356.4 million and \$329.9 million respectively. This reflects an average annual decrease of \$8.7 million (2.5 percent) compared to the initial PIR figures presented last summer. The changes occurred in the following categories.

- Contingencies: Slightly over half of the total decrease is due to the removal of the emergencies contingency. BPA eliminated the emergency capital placeholder in response to customers' concerns over capital spending levels and after reviewing historical capital costs. Net annual decrease of \$5 million.
- Libby-Troy project: The original plan called for a double circuit 230-kilovolt (kV) line. After risk analysis and further review by the Infrastructure Technical Review Committee, the plan now calls for a single-circuit 115-kV line. Net average annual decrease of \$2.8 million.
- Capital indirects: Reductions in the capital programs resulted in a corresponding decrease in Allowance for Funds During Construction. This decrease was offset by a slight increase in agency services due to transferring Transmission functions to Corporate as a part of the recent reorganization, increases for security and IT support, and updates to allocation methodologies. Net average annual decrease of \$3.7 million.
- West of McNary generation integration: We did not include Environmental Impact Statement (EIS) analysis costs in the initial PIR numbers. In response to customer requests, EIS costs were added. A capital project may be proposed during the rate period depending on regional interest and need. Net average increase of \$1.6 million.
- Non-Treasury Allowance for Funds Used during Construction (AFUDC): An increase is due to the addition of AFUDC related to the capital portion of Non-Federal Debt Service. Net average increase of \$1.2 million.

## **Comparison of Prior Rate Case to Proposed Rate Period**

Transmission Services remains committed to managing its costs and continues to seek efficiencies in the way it does business, consistent with BPA's core value of operational excellence. Transmission Services' capital and expense program adjustments from the prior FY 2006-2007 rate case were presented during the PIR process and are updated below for your review.

The three drivers of expense change from the previous rate period include: (1) mandated or non-discretionary costs, (2) transmission program changes, and (3) needed system and efficiency initiatives. The expense changes include increases, decreases and a shift in Non-Federal Project

Debt service interest to transmission programs. The net result is an average annual increase of \$12 million (3.8 percent increase) in transmission costs over the previous rate case.

#### Mandated or Non-Discretionary

- In accordance with current accounting policies and practices, certain investments that were formerly charged to capital will now be expensed. Examples include replacements of certain property, such as roofs, heating, ventilation and air-conditioning systems, airway lighting and marker balls; the support costs associated with this work; and personal property, such as tools and equipment. Net average increase of \$11.6 million.
- During the FY 2006-2007 rate period, we made no allowance for inflation; however, inflation is included in the proposed rate case. Net average increase of \$8.6 million.
- New requirements from the Western Electricity Coordinating Council (WECC) have led to increased workload for right-of-way maintenance and increases for implementation of the Electric Reliability Organization (ERO). Net average annual increase of \$2.4 million.
- Non-Federal Project Debt Service was reclassified and represents a financial reporting shift, not an increase or decrease. FY 2008-2009 program levels included the net interest on the integration of nonfederal generation. This increased program levels by an average of \$13.6 million, but reduced net federal interest by an equal amount (which is not in scope of the PIR).
- Ancillary Services costs, provided by both federal and nonfederal sources decreased overall by an average of \$12.9 million, but there was an increase of \$1.9 million in leases. Net average decrease of \$11 million.
- Other nondiscretionary increases included rising fuel costs and under-funded retirement benefits. Net average increase of \$3.2 million.

#### Transmission Program Changes

- As the region recovered from the West Coast energy crisis, BPA worked hard to control costs. One way, in addition to efficiencies, was to defer transmission operations and maintenance costs. Now as the region recovers, these programs will require increases above inflation to “catch up” the deferred work. Net average increase of \$3.9 million.
- With its improved financial position, BPA continues to reinstate pay for performance, which was reduced during the years of financial crisis. Net average increase of \$1.0 million.

### System and Efficiency Initiatives

- BPA has completed several efficiency studies (Enterprise Process Improvement Projects, or EPIPs) which resulted in both increased efficiencies and cost reductions for transmission programs. Net average decrease of \$11.2 million.
- Transmission will reduce its material stock inventory levels for future cost savings. This will be done primarily by using materials on the transmission system in the capital construction program. However, some reductions must be made by selling or disposing of excess inventory. Net average increase of \$3.5 million.

### Completing Transmission Programs in Review

The proposed program levels and costs respond to public comments and reflect further internal program scrutiny aimed at bringing costs down. BPA will remain vigilant in balancing needed transmission system investments with the need to keep costs low. We also will strive to improve our efficiency so that we can enhance the value we bring to you and to the region as a whole. Managing a large high-voltage transmission system in today's environment to meet our customers' and stakeholders' diverse regional needs is a complex challenge. To the degree we have been and continue to be successful is due in large part to our collaboration with you. Through the PIR public process, we received many excellent suggestions that helped us make the decisions reflected in this letter. In addition, many of you asked to become more involved in the capital review process before projects are authorized. BPA is reviewing the capital process to enhance timely regional input.

I would like to express my sincere appreciation for the participation and thoughtful comments of our customers and other regional stakeholders. BPA remains committed to an open and collaborative public process where ideas can flow freely. Due to recent updates to the program levels, BPA will provide a two week comment period on the identified cost changes as noted earlier. Please go to [http://www.bpa.gov/corporate/public\\_affairs/comment.cfm](http://www.bpa.gov/corporate/public_affairs/comment.cfm) to submit your comments on this letter.

After the comments have been submitted, reviewed and considered, I will finalize the PIR closeout letter. Thank you again for your participation in this process.

Sincerely,

*/s/ Stephen J. Wright*

Stephen J. Wright  
Administrator and Chief Executive Officer

#### 4 Enclosures

Appendix 1: Expense Program Comparison of Initial and Current PIR FY08-09 Program levels

Appendix 2: Expense Program Levels FY08-09

Appendix 3: Capital Program-Comparison of Initial and Current PIR Average FY08-09 Program Levels

Appendix 4: Capital Program Levels FY08-09

## Appendix 1

**Transmission Expenses (\$000) - Programs In Review**

Program & Other Operating Costs	Averages Across FY 2008-09		
	Initial Proposal	Final Proposal	Change
<b>Transmission's Transmission Acquisition</b>			
Leased Facilities	14,945	14,853	(91)
Settlements	940	940	-
Non-BBL Ancillary Services	310	3,050	2,740
<b>Transmission System Operations</b>			
Information Technology	-	671	671
Power System Dispatching	10,103	10,228	125
Control Center Support	9,511	9,531	20
Technical Operations	3,732	3,732	-
Substation Operations	18,756	18,951	194
<b>Transmission Scheduling</b>			
Management Supervision & Administration	1,053	1,053	-
Reservations	464	464	-
Pre-Scheduling	763	763	-
Real-Time Scheduling	4,005	4,005	-
Scheduling Technical Support	2,715	2,715	-
Scheduling After-The-Fact	673	673	-
<b>Transmission Marketing</b>			
Transmission Sales	2,256	2,256	-
Marketing Internal Operations	872	872	-
Transmission Finance	824	824	-
Contract Management	1,477	1,477	-
Transmission Billing	1,942	1,942	-
Business Strategy & Assessment	2,471	2,471	-
Marketing IT Support	-	-	-
Meter Data	1,370	1,370	-
<b>Transmission Business Support</b>			
Executive and Admin Services	8,118	8,118	-
Staff Management	-	-	-
TBL Internal G&A	7,643	7,655	13
Aircraft Services	1,071	1,343	272
Logistics Services	4,058	5,133	1,075
Security Enhancements	1,038	1,039	0
<b>Transmission System Development</b>			
Research & Development	3,431	3,431	-
TSD Planning & Analysis	3,518	3,518	-
Capital to Expense Transfer	3,000	3,000	-
Inventory Management	4,500	4,500	-
Regulatory & Region Association Fees	1,821	2,215	394

**Transmission Expenses (\$000) - Programs In Review**

Program & Other Operating Costs	Averages Across FY 2008-09		
	Initial Proposal	Final Proposal	Change
<b>Transmission System Maintenance</b>			
Non-Electric Maintenance	11,102	11,141	39
Substation Maintenance	17,006	17,607	600
Transmission Line Maintenance	18,337	19,008	671
System Protection Control Maintenance	8,763	9,820	1,057
Power System Control Maintenance	8,804	10,742	1,938
System Maintenance Management	6,889	6,890	1
ROW Maintenance	12,923	12,966	43
Heavy Mobile Equipment Maintenance	1,694	847	(847)
Technical Training	3,811	3,811	-
<b>Transmission Environmental Operations</b>			
Environmental Policy & Planning	1,286	1,286	-
Pollution Prevention & Abatement	3,440	3,440	-
<b>Transmission Other</b>			
Civil Service Retirement System (CSRS)	12,139	12,139	-
Undistributed Cost Reduction	(2,000)	(2,000)	-
Non-Federal Debt Service	-	12,234	12,234
<b>Total Transmission System O &amp; M</b>	<b>221,576</b>	<b>242,727</b>	<b>21,150</b>
<b>Between Business Line Expenses</b>			
Ancillary Services	53,491	45,521	(7,970)
Corps/Bureau/Network/Delivery Facilities	7,213	7,025	(188)
Station Service	3,792	3,589	(203)
<b>Total BBL Expense</b>	<b>64,496</b>	<b>56,135</b>	<b>(8,361)</b>
<b>Corporate Expenses</b>			
Legal Support - Expense	2,168	2,250	81
Shared Services Costs	-	-	-
Corporate Overhead Distributions	63,836	66,202	2,366
<b>Total Corporate Charges</b>	<b>66,004</b>	<b>68,451</b>	<b>2,448</b>
<b>Total Transmission Operating Expense</b>	<b>352,076</b>	<b>367,313</b>	<b>15,237</b>

This information has been made publicly available by BPA on November 21, 2006, but due to the detailed nature or the manner in which it is grouped, the numbers cannot be identified in any other publicly released Standard Financial Report or other Agency Financial Information

## Appendix 2

**Transmission Expenses (\$000) - Programs In Review**

<b>Program &amp; Other Operating Costs</b>	<b>FY2008</b>	<b>FY2009</b>
<b>Transmission's Transmission Acquisition</b>		
Leased Facilities	13,608	16,098
Settlements	931	950
Stability Reserve Payments	3,050	3,050
<b>Sub-Total Transmission Acquisition</b>	<b>17,589</b>	<b>20,098</b>
<b>Transmission System Operations</b>		
Information Technology	662	681
Power System Dispatching	10,125	10,332
Control Center Support	9,449	9,613
Technical Operations	3,694	3,770
Substation Operations	18,758	19,143
<b>Sub-Total Transmission System Operations</b>	<b>42,688</b>	<b>43,539</b>
<b>Transmission Scheduling</b>		
Management Supervision & Administration	1,035	1,071
Reservations	459	469
Pre-Scheduling	755	771
Real-Time Scheduling	3,971	4,039
Scheduling Technical Support	2,691	2,738
Scheduling After-The-Fact	666	680
<b>Sub-Total Transmission Scheduling</b>	<b>9,577</b>	<b>9,767</b>
<b>Transmission Marketing</b>		
Transmission Sales	2,230	2,283
Marketing Internal Operations	861	884
Transmission Finance	815	832
Contract Management	1,456	1,498
Transmission Billing	1,922	1,962
Business Strategy & Assessment	2,446	2,496
Marketing IT Support	0	0
Meter Data	1,354	1,385
<b>Sub-Total Transmission Marketing</b>	<b>11,084</b>	<b>11,340</b>
<b>Transmission Business Support</b>		
Executive and Admin Services <u>1/</u>	8,045	8,191
Staff Management	0	0
TBL Internal G&A <u>1/</u>	7,577	7,733
Aircraft Services	1,327	1,360
Logistics Services	5,080	5,185
Security Enhancements	1,028	1,049
<b>Sub-Total Transmission Business Support</b>	<b>23,057</b>	<b>23,519</b>
<b>Transmission System Development</b>		
Research & Development	3,396	3,466
TSD Planning & Analysis	3,502	3,534
Capital to Expense Transfer	3,000	3,000
Inventory Management	5,000	4,000
Regulatory & Region Association Fees	2,180	2,250
<b>Sub-Total Transmission System Development</b>	<b>17,078</b>	<b>16,250</b>

### **Transmission Expenses (\$000) - Programs In Review**

Program & Other Operating Costs	FY2008	FY2009
<b>Transmission System Maintenance</b>		
Non-Electric Maintenance	11,053	11,229
Substation Maintenance	17,386	17,827
Transmission Line Maintenance	18,826	19,191
System Protection Control Maintenance	9,730	9,911
Power System Control Maintenance	10,627	10,858
System Maintenance Management	6,822	6,958
Right Of Way Maintenance	12,844	13,088
Heavy Mobile Equipment Maintenance	858	836
Technical Training	3,530	4,092
<b>Sub-Total Transmission System Maintenance</b>	<b>91,675</b>	<b>93,992</b>
<b>Transmission Environmental Operations</b>		
Environmental Policy & Planning	1,266	1,307
Pollution Prevention & Abatement	3,389	3,491
<b>Sub-Total Transmission Environmental Operations</b>	<b>4,655</b>	<b>4,798</b>
<b>Transmission Other</b>		
Civil Service Retirement System (CSRS)	9,000	15,277
Undistributed Cost Reduction	(2,000)	-2,000
Non-Federal Debt Service	11,034	13,434
<b>Sub-Total Transmission Other</b>	<b>18,034</b>	<b>26,711</b>
<b>Sub-Total Transmission System Operations &amp; Maintenance</b>	<b>235,438</b>	<b>250,016</b>

<b>Between Business Line Expenses</b>		
Ancillary Services	45,521	45,521
Corps/Bureau/Network/Delivery Facilities	6,652	7,397
Station Service	3,589	3,589
<b>Sub-Total Between Business Line Expense</b>	<b>55,762</b>	<b>56,507</b>

<b>Corporate Expenses</b>		
Legal Support - Expense	2,213	2,287
Shared Services Costs	0	0
Corporate Overhead Distributions	66,044	66,359
<b>Sub-Total Corporate Charges</b>	<b>68,257</b>	<b>68,646</b>

<b>Total Transmission Expense Program Levels</b>	<b>359,457</b>	<b>375,169</b>
--	----------------	----------------

1/ Executive and Admin Services includes expenses for Executive Management, Asset Management, Continuity of Operations, and non-project travel and training costs  
Internal G&A includes expenses for General Administration, Relocations and Pay for Performance

Sources: Tentative Program Levels as approved by Steve Wright, on November 21, 2006

*This information has been made publicly available by BPA on November 21, 2006, but due to the detailed nature or the manner in which it is grouped, the numbers cannot be separately identified in any other publicly released Standard Financial Report or other Agency Financial Information.*

## Appendix 3

**CAPITAL PROGRAM LEVELS FY08-FY09**  
**(\$ in Thousands)**

<b>Program Description</b>	<b>Energization Date</b>	<b>FY 2008 Forecast</b>	<b>FY 2009 Forecast</b>
<b>MAIN GRID PROJECTS</b>			
West of McNary Generation Integration	2010	3,205.8	
Line Relocations on Tribal Lands	On Going	3,740.1	3,815.6
Seattle Area 500/230 kV Bank	2010	213.7	2,180.4
Olympic Peninsula Reinforcement	2009	12,556.0	12,809.6
Shelton-Fairmount 230KV line	2012	0.0	1,090.2
I-5 Corridor upgrades	2011	5,343.0	10,901.8
Libby-Troy Rebuild	2009	5,984.1	981.2
Other Associated Gen Integration	On Going	5,000.0	5,000.0
Communications moved to Corporate		(41.0)	(42.0)
NERC Criteria Compliance	On Going	15,000.0	15,000.0
System Reactive Facilities	On Going	10,000.0	10,000.0
Various Additions	On Going	10,000.0	10,000.0
<b>Sub-Total Main Grid</b>		<b>71,001.7</b>	<b>71,736.8</b>
<b>AREA &amp; CUSTOMER SERVICE PROJECTS</b>			
Lower Valley Reinforcement (Caribou)	2008	8,121.3	0.0
Madison Shunt Cap	2008	480.9	0.0
City of Centralia	2008	8,548.8	0.0
Misc. Line Upgrade	On Going	4,274.4	4,360.7
Customer Service Items	On Going	4,000.0	4,000.0
<b>Sub-Total Area &amp; Customer Srvc</b>		<b>25,425.4</b>	<b>8,360.7</b>
<b>UPGRADES &amp; ADDITIONS PROJECTS</b>			
System Controls	On Going	7,480.2	7,631.3
Celio Upgrades		13,784.9	7,086.2
CC Systems	On Going	5,343.0	5,450.9
Fiber Optics (Incls Terminations)	On Going	16,028.9	10,901.8
Misc Sub Additions	On Going	5,000.0	5,000.0
<b>Sub-Total Upgrades &amp; Additions</b>		<b>47,637.0</b>	<b>36,070.2</b>
<b>SYSTEM REPLACEMENTS PROJECTS</b>			
Nonelectric Plant Replcmts	On Going	3,205.8	3,270.5
Security Enhancements	0	3,953.8	4,033.7
Transmission Line Replcmts	On Going	1,068.6	1,090.2
Wood Pole Replacement	On Going	6,411.6	6,541.1
NCI Replacements	On Going	320.6	327.1
Spacer Damper Replacements	On Going	9,617.4	9,811.6
Substation Replcmts	On Going	9,617.4	9,811.6
System Protection Replcmts	On Going	7,480.2	7,631.3
Pwr Sys Cntrl Replcmts	On Going	7,480.2	7,631.3
Total System Replacements	On Going	49,155.4	50,148.4
Aircraft Replacement	2009	6,945.9	7,086.2
Tools and Equipment	On Going	6,500.0	6,500.0
<b>Sub-Total System Replacements</b>		<b>62,601.3</b>	<b>63,734.5</b>
<b>ENVIRONMENT PROJECTS</b>			
Total Environment (PP&A)	On Going	5,129.3	5,450.9
<b>Sub-Total Environment (PP&amp;A)</b>		<b>5,129.3</b>	<b>5,450.9</b>

**CAPITAL PROGRAM LEVELS FY08-FY09**  
**(\$ in Thousands)**

<b>Program Description</b>	<b>Energization Date</b>	<b>FY 2008 Forecast</b>	<b>FY 2009 Forecast</b>
<b>ALL OTHER DIRECT CAPITAL</b>			
Completion of Prior Yr Items	On-going	106.9	109.0
Cap-to-Exp Adjustments	On-going	(3,000.0)	(3,000.0)
Undistributed Capital Adjustments	On-going		
Non-Wires Program	On-going	3,000.0	3,000.0
Retirements and Sale of Facilities	On-going	5,000.0	5,000.0
<b>Sub-Total All Other Capital</b>		<b>5,106.9</b>	<b>5,109.0</b>

<b>SUB TOTAL CAPITAL (DIRECT)</b>	<b>216,901.5</b>	<b>190,462.2</b>
-----------------------------------	------------------	------------------

<b>INDIRECTS</b>			
TSD Program Indirect		21,803.8	22,244.1
TSD MS&A		8,865.6	9,044.7
Support Services Cap Distribution		10,639.3	10,854.2
AFUDC		10,295.0	10,798.0
Corporate Distributions		25,388.0	25,168.0
<b>SUB TOTAL CAPITAL (INDIRECT)</b>		<b>76,991.7</b>	<b>78,109.0</b>

<b>TOTAL CAPITAL REQUIRING BORROWING AUTHORITY</b>	<b>293,893.2</b>	<b>268,571.2</b>
--	------------------	------------------

<b>Non-Treasury Financed &lt;Note 1</b>			
<b>Generator and Third Party Financed &lt;Note 2</b>			
Generator Interconnection	TBD	42,743.8	38,156.4
COI Addition Project	2008	4,274.4	0.0
Non-Federal AFUDC <Note 3	TBD	2,087.0	285.0
Revenue Financed Projects	TBD		
Projects Funded in Advance	TBD	13,400.0	22,900.0
<b>Total Non-Treasury Financed</b>		<b>62,505.2</b>	<b>61,341.4</b>

<b>TOTAL CAPITAL (Direct, Indirect &amp; Non-Treasury)</b>	<b>356,398.5</b>	<b>329,912.6</b>
--	------------------	------------------

This information has been made publicly available by BPA on November 21, 2006, but due to the detailed nature or manner in which it is grouped, the numbers cannot be separately identified in any other publicly released Standard Financial Report or other Agency Financial Information.

**Notes:**

<1 Source: This category includes those facilities where BPA retains ownership but which is funded by a third party.

<2 Projects shown in this section have not been approved and depend upon signing transmission agreements requiring customer advance payments in return for future transmission credits before going forward.

<3 Source: AFUDC related to non-Treasury funded projects that is non-Treasury financed.

**Capital Program: Comparison of Initial and Current PIR Averages FY08-09 Program Levels  
(\$ in Thousands)**

Capital Program	Averages Across FY08-09		
	PIR Initial <Note 1	PIR Proposal <Note 2	Delta
Main Grid <Note 3	72,545	71,369	(1,175)
Area and Customer Service	16,893	16,893	-
Upgrades and Additions	41,854	41,854	-
System Replacements <Note 4	68,168	63,168	(5,000)
Environment	5,290	5,290	-
All Other Capital <Note 7	(9,892)	5,108	15,000
<b>Sub Total Capital</b>	194,857	203,682	8,825
Indirects <Note 5	81,242	77,550	(3,692)
<b>Total Capital Requiring Treasury Borrowing Authority</b>	276,100	281,232	5,133
Non-Treasury Financed <Note 6, <Note 7	75,737	61,923	(13,814)
<b>Total Capital Program</b>	351,837	343,155	(8,681)

This information has been made publicly available by BPA on November 21, 2006, but due to the detailed nature or the manner in which it is grouped, the numbers cannot be separately identified in any other publicly released Standard Financial Report of other Agency Financial Information.

**Notes:**

<1 Source: Initial PIR is from the Initial PIR meetings in June 2006.

<2 Source: Forecasted Capital used in the October 3, 2006 Revenue Requirement

<3 Source: Planned capital for Libby Troy decreased from initial proposal to reflect a revised plan of service. Part of this decrease was offset by additional planned capital for West of McNary preliminary engineering costs that was not in the initial proposal.

<4 Source: Capital program decreased from initial proposal due to removal of placeholder for emergency capital work.

<5 Source: AFUDC decreased from initial proposal which was offset by an increase in Agency Services.

<6 Source: Increased from initial proposal due to the addition of AFUDC related to non-Treasury funded projects that is non-Treasury financed.

<7 Source: Changes in the Other Capital and Non-Treasury Financed lines are due to reflection of all projected spending for the capital program, Treasury and Non-Treasury financed. The net change of these two lines is zero and therefore is not changing the total projected capital program.