

BPA Response to:

Follow-Up Items from the Transmission Programs in Review

Portland, Ore. Workshop – June 22

July 5, 2006

1. EPIP: Get into more depth - possible workshop topic
 - A *The EPIP savings are included in the proposed fiscal year 2008-2009 program levels. Most of the EPIP savings would be included in the Corporate general and administrative program. There are also savings included in the Marketing program of \$1.4 million. In addition, Plan, Design, Build savings include the deferral of projects and the gated approach. Using the gated approach, TBL changed its plan of service on the Libby-Troy transmission line rebuild from a double circuit 230 kilovolt line to a single circuit 115-kV line. In addition, TBL was able to defer two projects of \$25 million, which included the Olympic Peninsula and the I-5 Corridor for one year. The capital savings are included in the rate base and the customers will see the savings in future rates.*

2. Further explanation of capital to expense: impacts and reasoning for the change
 - A *Generally when you think of replacing certain parts of capitalized assets, you consider that the replacement will provide a multi-year benefit to the agency. For example, a roof will last 20 or more years. So why wouldn't this be capitalized and depreciated over the useful life? Under FERC guidance, the agency must define property units as either major or minor. Major units are made up of minor units. Only replacement of the entire major property unit is able to be capitalized. Replacement of minor property units must be expensed unless they extend the life, or add additional value to the major property unit. For BPA, examples of major property units are: the building, the tower, the transmission line. So replacement of the minor parts of these major units would be expensed, except as noted above. So even though the minor unit does provide a multi-year benefit to the agency, if it does not add benefit to the major unit of property, it cannot be capitalized and must be expensed. Some examples of these minor units include: roofs, HVACs, marker balls, and airway lighting. The design, engineering, and administrative costs associated with these replacements would also be expensed, where previously they were charged to the direct capital project or the capital indirect pool. The estimated impact is \$7.3 million each year.*

3. Provide list of corporate pools and allocation to Transmission and Power
 - A *Please see document posted on PIR Web site titled "2006 Transmission PIR Corporate Internal Support Costs."*

4. Develop a list of capital projects associated with Generation Interconnection
 - A *Please see document posted on PIR Web site titled "Detail of Generation Interconnection Projects."*

5. More detail breakdowns on Executive Management and Pay for performance categories in Business Support

Dollars are in millions

Ongoing	
4.70	Salary
0.17	Travel
0.12	Cell Phone
0.13	Supp Labor
0.14	Contracts
0.13	Tuition
0.09	Office Moves & Relocations
0.68	Supply Chain
0.03	Equip & Comp
New	
1.00	COOP
1.00	Travel & Training for Engineering
Total	
8.19M	

The work that is done covers a variety of topics, such as:

- Salaries of Transmission VPs
- Salaries of some managers (not all)
- Salaries of admin. staff for each VP or manager charging to this program
- Executive career development
- Training of employees who work exclusively on capital projects (training cannot be capitalized)
- RTO/Grid West/Columbia Grid participation activities
- Emergency preparedness
- Common Information Model participation
- Pluralism Council participation
- Records management
- Safety training (capital employees)
- TBL-initiated facility improvements/Ross optimization/ergonomic assessment and training
- Inroads administration
- Labor relations/union representation
- Standards of conduct training
- Math, science, and engineering education
- TBL Ombuds program
- Many others

6. Look into a process to address building transmission ahead of need: Texas example. Address financing, who pays, etc.

A *BPA will take this under consideration*

7. Post-mortem on McNary-John Day project so that we can identify pitfalls in moving ahead on new transmission efforts

A *BPA believes it is important to work with customers on such projects that are responsive to customer needs and intends to collaborate with regional interests on finding ways to meet those needs.*

8. Explore contractual commitments with LA if pursue Celilo controls

A *BPA is looking at all options for the COI SVC. A decision will be made after all options are explored.*

9. Provide depreciation study

A *Please see document posted on PIR Web site titled "BPA Depreciation Study Results Summary."*

10. Update on this year's revenues and expenses - for technical workshop

A *This will be done at the technical workshop.*