

Programs In Review

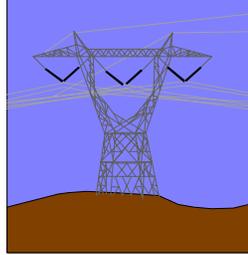
Financial Assessment

Chuck Meyer

Vice President Transmission
Marketing and Sales



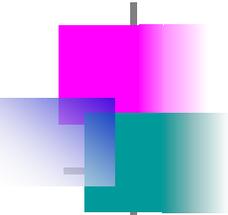
FY02-03 Rate Case



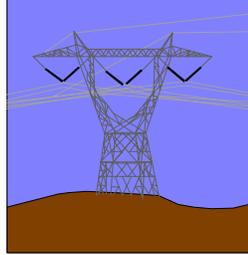
TBL Statement of Revenues and Expenses Summary (\$M)

	FY01 Actual	FY01 Forecast	FY02 Rate	FY03 Rate
1. Operating Revenues Minus:	646.7	564.7	689.8	700.7
2. Operating Expenses Equals:	282.9	275.8	328.0	322.1
3. Net Operating Margin Less:	363.8	288.9	361.8	378.6
4. Depreciation and	154.9	175.0	181.7	194.0
5. Net Interest Equals:	165.4	172.2	176.4	178.0
6. Net Revenues	43.5	(58.3)	3.7	6.6





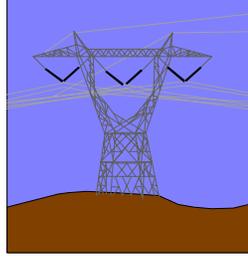
Budget Process



- Bottoms Up review of all programs to determine funding level for FY03
- Stress testing of all program levels to determine cuts from bottoms up review
- Critical assessment of consequences and ramifications of cuts
- Presentation in Programs in Review



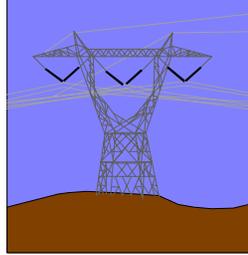
Keeping Costs Down



- FY02 operating budget reduced 6.9%
- Reduction of initial workload projections
 - FY03 reduced 9.0%
 - FY04 reduced 2.2%
 - FY05 and FY06 held at 2004 levels, plus 2.5% each year for inflation.
- FY 02 to FY 06 expense levels reduced 4.5%



The Future of TBL Expenses

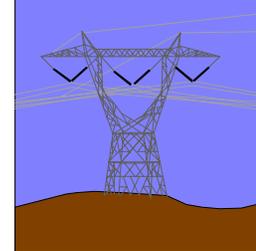


TBL Statement of Revenues and Expenses Summary (\$M)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
1. Operating Revenues	701.2	725.3	732.7	751.2	757.5
Minus:					
2. Operating Expenses	366.1	365.4	386.1	391.9	394.4
Equals:					
3. Net Operating Margin	335.2	360.0	346.5	359.4	363.1
Less:					
4. Depreciation and	158.3	163.0	170.3	183.0	196.9
5. Net Interest	<u>159.2</u>	<u>155.7</u>	<u>166.8</u>	<u>178.2</u>	<u>193.9</u>
Equals:					
6. Net Revenues	17.7	41.3	9.5	(1.8)	(27.6)



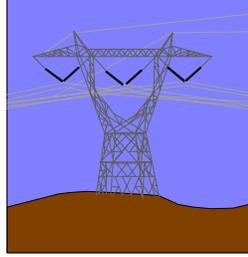
Revenues



- California chaos and general market disruption in 2001
- Long-term sales on Network and Intertie have improved
- Short-term sales have dropped significantly
 - LT Transmission is being sold in secondary market
 - More long-term demand



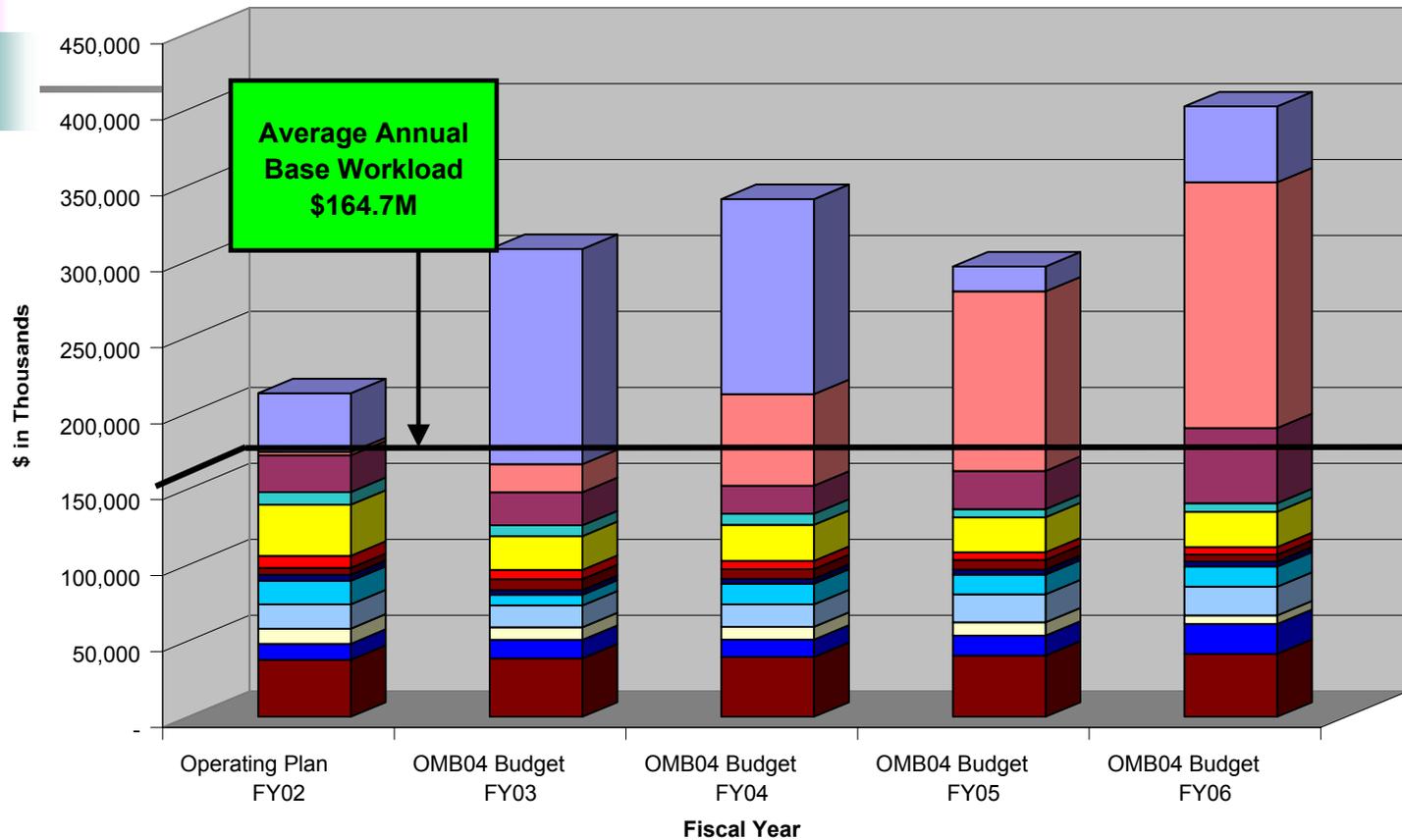
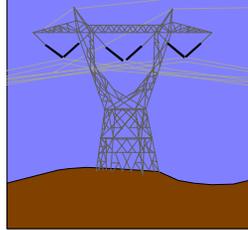
Costs



- Business Systems
 - More complex transactions, increased volume of transactions
- Staffing
 - Infrastructure
- Corporate and Shared Services
 - Rate case forecasts were not achievable

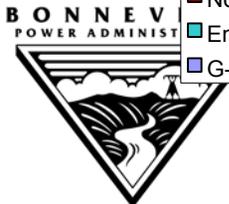


Transmission Business Line Capital Profile for FY2002 through FY2006

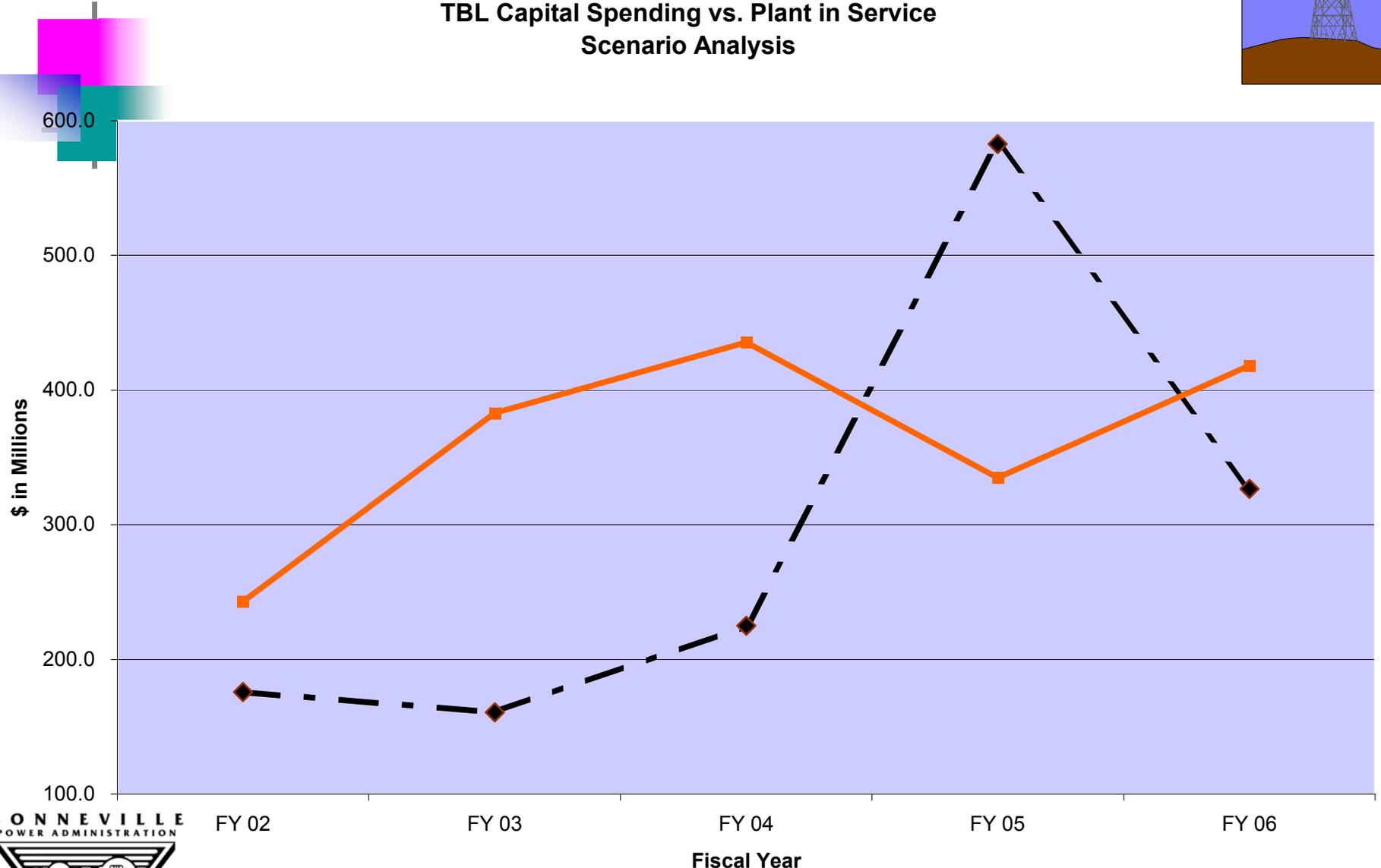
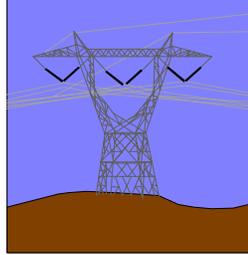


- TBL Indirect Costs
- Area & Customer Service
- Business Systems
- System Controls and Trans system IT Develop
- Fiber Optics
- Misc. Line & Sub Additions
- Non-Electric Plant
- Tools & Equipment
- Electric Replacements and Emergency Funds
- Environment
- Other Main Grid
- G-10 through G-20
- G-1 through G-9

Excludes AFUDC, PFIA and Corporate & Shared Services Costs



TBL Capital Spending vs. Plant in Service Scenario Analysis



BPA- Transmission Business Line

◆ Plant in Service ■ Capital Spending