



14 July 2004

Vickie VanZandt, Vice President
Bonneville Power Administration
Transmission Business Line
PO Box 491
Vancouver, WA 98666

Re: Joint Customers' Requests for Information Related to 2004
Programs In Review and the 2006 Transmission Rate Case.

Dear Vickie:

PPC is sending this letter on behalf of the Joint Customers. We appreciated the review of BPA's transmission business programs provided at the Programs In Review (PIR) meetings. Before commenting on TBL's proposed programs and programs levels, however, we want to request further opportunities to dig into the details of these programs.

While the PIR meetings were helpful, they do not provide sufficiently detailed information or the opportunity for substantive discussions needed to understand fully TBL's proposed programs and program levels and to comment on them. The Joint Customers met on July 1 and we agreed that we have the following questions in common.

Financing Issues

The principal sources of capital for BPA's transmission construction program are Treasury financing, cash generated through third-party financing, depreciation/amortization collections, the Energy Northwest Debt Optimization Program and revenue financing.

In order to provide comments in the PIR process, the Joint Customers need to know how each of these, and any other, sources of funds may be used (1) for the rate period and (2) for at least the subsequent three years, for a total of at least five years. Specifically,

- What are the sources and uses of the funds that may be generated by each category of financing for the five years, and
- When are the projects expected to go into service and therefore into transmission rates?

Although revenue financing is generally a rate case issue, it interacts with the other sources of funds. Thus, it should be considered in both arenas.

Other Program Levels

- Please provide detailed supporting information and materials regarding Corporate G&A, Shared Services, Regulatory and Association fees and the Awards program for each of FY 2004, 2005, 2006 and 2007.
- In slide 12 of the PIR presentation, TBL shows that forecasted revenues for FY04 are \$76 million below the rate case forecast. In slide 26, TBL shows that it has managed its costs to meet the revenue shortfall. Specifically, TBL cut operating costs by \$26 million in FY03 and \$43 million in FY04. In slide 58, TBL estimates that despite the revenue shortfall, its net revenue position was negative \$2.8 million for FY03 (including a \$17 million bond call payment for Energy Northwest debt optimization) and is expected to be positive \$12.2 million for FY04 and negative \$3.9 million for FY05. What specific cost cuts were implemented in FY03 and FY04 and are projected to be implemented in FY05? Which of these cost cuts are sustainable into the next rate period without compromising reliability?
- Please provide a detailed description of how budgeting was done for FY 07.
- Please provide a breakdown of FTE levels for FY04 through FY 07, detailing the number of contractor FTE and BPA FTE. Please also provide the number of Corporate FTE that TBL funds for those years.

In particular, the Joint Customers request that TBL hold PIR workshops on the following topics:

- Capital projects;
- Financing -

- Revenue financing,
- Debt Optimization Program and
- Third-party financing;
- Treasury borrowing;
- Program levels;
- Long-term effects of Debt Optimization Program;
- Corporate overhead levels; and
- FTE Levels.

We have discussed the need for Rate Case workshops as well. The following is our list of workshop topics. We expect that this list should match up reasonably well with the topics that we understand you plan to cover in the scheduled workshops.

- Interest and Depreciation;
- Revenue Financing;
- Revenue Forecast;
- Repayment Study;
- Revenue Requirement;
- Ancillary Services, Payments to PBL;
- Redispatch;
- Risk Management -
 - PNRR;
- Cash Reserves; and
- Long-term Effects of the Debt Optimization Program.

Thank you for your attention to these requests.

Sincerely,



C. Clark Leone
Manager

On behalf of

Alcoa Inc.

Joint Customer Request

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Avista Corporation
Benton Rural Electric Association
Columbia Falls Aluminum Company, LLC
Franklin County Public Utility District
Idaho Power Company
Northwest Requirements Utilities
Pacific Northwest Generating Cooperative
PacifiCorp
Portland General Electric
Power Resources Managers, LLP
Public Generating Pool
Public Power Council
Puget Sound Energy, Inc.
Skamania County Public Utility District
Snohomish Public Utility District
Western Montana G&T
Western Public Agencies Group

Cc: Joint Customers (via e-mail)
Madonna Radcliff, BPA (via e-mail)