



TBL Programs in Review Aug. 25 Technical Workshop Corporate & Shared Services Costs Additional Information

Sustainable Capital Strategy

BPA has begun development of a strategy to assure the balancing of sufficient and economical sources of capital with necessary capital investments. BPA's goal is to seek this balance through trade-offs among sources of capital, rate levels, and the size of the investments. BPA will strive to maintain its ability to borrow from the U.S. Treasury through at least 2018, the year in which the debt from the ENW nuclear projects will be retired. Tools to achieve this objective include advanced amortization of Treasury bonds, expanded third party financing, reduced capital investment levels, and increased revenue financing.

BPA intends to share preliminary assessments of a "Sustainable Capital Strategy" with customers and constituents to promote dialogue and hear others thoughts.

CFTE and BFTE total workforce costs:

For Corporate, approximately 54% of the budget is for personnel related costs associated with Bonneville employees (\$64.5 million of a total corporate budget of \$119.2 in FY 05). This total includes salaries, benefits, awards, training and travel. Another 6% is for supplemental labor contracts (\$7.1 million in FY 05). These are the only costs that can be clearly tied to workforce in the budget. Additional funds for contract employees are captured in the service contract general ledger line. This ledger line also includes many contracts that are not for workforce costs, such as software licensing, GridWest participation, etc. Many of our service contracts are also based on the provision of a service and not on how the contractor chooses to complete the service contracted for. For these contracts, BPA does not control or track the number of contract employees used by the contractor. It is therefore impossible to develop an accurate accounting for the number or exact cost of the contract FTE used by BPA or its contractors.

Impact of Efficiency Measures to Corporate Costs:

As mentioned by Terry Esvelt in his presentation, BPA is still at the early stages of exploring the implications of the KEMA report and efforts towards One-BPA. As an example, the first major reorganization in this effort to improve efficiency and reduce costs is the consolidation of the IT function at BPA under the CIO. This consolidation will occur at the start of FY 05 (Oct. 1, 2004). BPA at this time is working closely with impacted staff and functions in corporate and the business lines to consolidate budgets and activities and form a single agency-wide IT budget. Although we anticipate savings from this consolidation, the exact target has not yet been set, and will not be until the current budgets are consolidated and understood. Once a target is set, it will require time to realign the workforce and contracts to achieve the desired savings. We do not anticipate having the detailed information available to set a realistic target until after the start of FY 2005. We will review corporate cost estimates prior to the PIR close-out letter and will incorporate any changes that are available.

Other possible reorganizations or changes to corporate functions or activities resulting from "One-BPA" are still in early discussion stages. We do not have estimates at this time of budget savings from these actions.

Detailed Accounting of BPA Response to KEMA Recommendations:

The KEMA report was a high level review and prioritization of potential, subsequent efforts. As such, the KEMA report did not have specific estimates, schedules, programs, or other detailed though important findings. A copy of the report is available at <http://www.bpa.gov/corporate/pubs/>.

BPA is about to launch a significant, follow on effort, based upon the prioritization within the KEMA report. BPA plans to select a contractor to assist in bringing a unified, consistent methodology for the many tasks involved with process improvement. This effort will be focused upon:

- An Overall Project Design and Methodology
- Transmission Planning, Design, and Construction Planning
- Marketing and Sales
- Energy Efficiency Project Management
- Fish & Wildlife Project Management
- Information Technology
- Communications and Regional Relations
- Human Resources and Staff Management

The above review and design efforts are anticipated to take between six and twelve months. Further implementation of recommendations and realization of savings will take additional time. Until the specific reviews are completed and the efforts brought to fruition, potential savings will not occur. BPA is committed to involving customers in this process, which was demonstrated by including two customers on the KEMA steering committee. As updated analyses become available they will be made available through the Customer Collaborative.