



Financial Plan Refresh

Kick-Off

September 15, 2021



Opening Remarks

Administrator John Hairston

Agenda

- Context
- Project objective & timeline
- Objectives and guiding principles
- Areas of focus:
 - Debt and Borrowing Authority (debt utilization and debt capacity)
 - Capital – Limited Scope
- Public engagement process

Setting the Context

- Ahead of BP-22, BPA shared its debt management and near-term borrowing authority challenges.
- These issues drove certain actions in BP-22. BPA committed to engage with customers after the rate case as we refresh policies, metrics, and targets around our financial health objectives.
- Keeping with this commitment, today we will share the *Financial Plan Refresh* project plan we have designed to further engage with customers on this topic.
- Pending legislation, if passed, provides BPA with additional borrowing authority. While this affords flexibility and future funding certainty, BPA must still focus on prudent debt management and sustainable capital funding practices.

BPA's 2018 Financial Plan



- The Financial Plan is organized in order of flexibility:
 - Beginning with the foundational and least flexible elements,
 - Followed by financial policies and practices
 - Ending with financial health objectives
- Each of the financial health objectives has a related target and metric, and in some cases a policy to drive action.

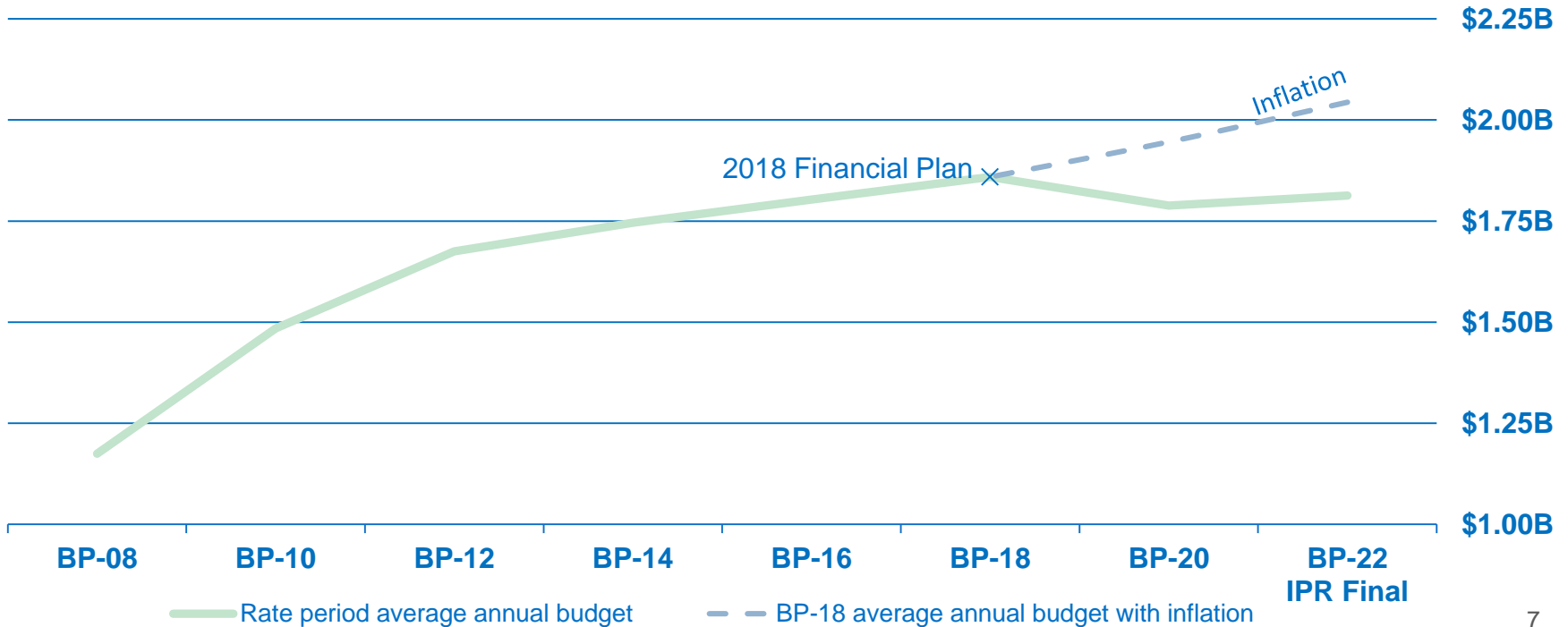
2018 Financial Plan Details

Area	Financial Health Objective & Purpose	Metric	Target
Cost Management	Program Costs: Lowest possible rates	Rate-period change in program costs	Hold the sum of program costs, by business line, at or below the rate of inflation through 2028
	Capital Investments: Maintain value and reliability of assets	Leading industry- standard asset management	Manage the lifecycle cost and value of assets based on industry-leading standards
Financial Resiliency	Liquidity: Maintain financial reserves for solvency and stability	Days cash on hand and TPP	Maintain a minimum of 60 days cash on hand for each business line and a 97.5% annual TPP
	Debt Utilization: Reduce interest expense; maintain financial flexibility	Debt to asset ratio	Achieve a debt to asset ratio of 75% -85% within 10 years and 60% - 70% in the long term
	Debt Capacity: Maintain access to secure and low-cost debt financing	Remaining borrowing authority	Maintain ability to fund capital program on a rolling 10-year basis; preserve \$1.5B of available borrowing authority
Over-arching	Ind. Health Assessment: Maintain high investment-grade credit ratings	Credit rating	Maintain high investment-grade credit ratings from all three rating agencies

Financial Plan Performance

Bending the cost curve

Average annual program costs (IPR expense only) in billions of dollars



Financial Plan Performance

Metric	Period	Agency	Power	Transmission
Debt to Asset Ratio	EOY FY17	90.3%	98.3%	79.1%
	EOY FY20	82.1%	86.7%	75.7%
Total Debt Outstanding	EOY FY17	\$14.9B	\$9.3B	\$5.6B
	EOY FY20	\$14.1B	\$8.4B	\$5.7B
Borrowing Authority O/S	EOY FY17	\$2.7B	[REDACTED]	
	EOY FY20	\$2.1B		
Days Cash On Hand	EOY FY17	92	23	281
	EOY FY20	113	95	160
Bond Ratings	2017	S&P	Moody's	Fitch
	Current	AA-	Aa1	AA
		AA-	Aa2	AA

Project Objective & Guiding Principles

- Project Objective: To ensure BPA's long-term financial goals are supported with the appropriate targets, metrics and policies.
- The following principles will guide our approach for development of and update to financial plan targets, metrics and policies:
 - Align with agency strategy and other strategic objectives
 - Simplify, when possible
 - Align with common industry practices, where applicable

Areas of Focus

- Debt & Borrowing Authority
 - The primary focus will be on developing sustainable capital funding and debt management practices.
 - Approaches for designated use and maintenance of borrowing authority.
 - The intent is to update targets, metrics, and supporting policies, as appropriate.
- Capital
 - BPA will share its capital investment prioritization framework to ensure solid understanding ahead of the IPR engagement and take in feedback that may inform the investment prioritization framework and IPR process.
 - Further define performance metrics for regular reporting.

Potential Areas of Future Focus

- Program Costs
 - BPA intends to remain consistent with the current Financial Plan objective, holding program costs (IPR expenses) at or below the rate of inflation. This may be an area considered for a future Financial Plan update.
- Liquidity
 - BPA will continue to focus on existing goals in the Financial Plan and follow current liquidity risk management policies.
 - There may be an opportunity to reimagine and streamline our liquidity risk management approach; this may be considered for a future Financial Plan update.
- Capital
 - As BPA continues to mature our asset management program, there may be additional metrics and targets to consider in a future Financial Plan update.

Public Engagement Process

Sep - Nov 2021

- Project kick-off with external stakeholders:
 - Today, Sep 15
- Public Grounding Sessions:
 - Oct 19
 - Nov 16

Jan - Mar 2022

- Engage external stakeholders in informal workshops
- Present proposals
- One week comment period following each workshop
- Workshop dates:
 - Jan 12 & 26
 - Feb 09 & 23
 - Mar 09 & 23

Apr - Jun 2022

- Workshop to review recommended proposal (the basis for the ROD) and recommended Financial Plan updates
 - May 11 or 25
- Formal comment period for recommended proposal and updates
 - Opens: May 11 or 25
 - Closes: Jun 16

Public Workshop Dates

Workshop Dates 2021	Proposed Topic
Sep 15	Project Kickoff
Oct 19	Grounding Session
Nov 16	Grounding Session
Workshop Dates 2022	Proposed Topic
Jan 12	Debt & Borrowing Authority; Capital Investment Prioritization
Jan 26	Debt & Borrowing Authority
Feb 9	Debt & Borrowing Authority; Capital Framework
Feb 23	Debt & Borrowing Authority
Mar 9	Debt & Borrowing Authority; Capital Metrics
Mar 23	Debt & Borrowing Authority
May 11/25	Draft Policy Proposal for ROD Development

Next Steps

- Please submit written feedback on our guiding principles, scope, schedule and planned process to communications@bpa.gov by Sep. 22nd with “Financial Plan Refresh” in the subject line.
- Grounding Workshops will be held on:
 - October 19
 - November 16

Appendix

Financial Plan & Related Policies

The existing Financial Plan and related policies can be found on bpa.gov and at the links below.

[2018 Financial Plan](#)

[Financial Reserves Policy](#)

[Leverage Policy](#)

For additional information on program costs, see reports at links below, also available on bpa.gov.

[IPR Closeout Report](#)

[IPR 2 Closeout Report](#)