

IPR Follow Up Questions

1. Enterprise services overall seems to have a rather large increases compared to BP-22 Rate Case. While IT did have its own presentation and is likely warranted given recent history with IT budgeting, there are other substantial increases in other sectors that customers may need some more details on from BPA:

- Security & Continuity of Ops – **49.3% increase**
- Chief Workforce and Strategy Office – **34.4% increase**
- Administrator – **762.6% increase**
- Business Transformation Office – **72.4% decrease ---- this can't all be due to BPA's completion of EIM integration?**

Would BPA be willing to share more on these other sectors?

- **Do these increases have to do with an updated cost allocation process?**

The increases to Enterprise Services organizations are not related to an updated cost allocations. The BP-24 IPR Enterprise Services projected costs are on a total basis for each organization and are considered pre-allocation to the Power and Transmission business units. Explanations for the increases are in the third bullet below.

- **Are these from “direct costs” to specific functions with these large moves?**

The increases are not related to direct costs being moved. Explanations for the increase are in the bullet below.

- **Why so large and what's driving these costs? (in yellow)**

Workplaces Services

- Manages \$1.3 billion of assets comprised of control centers, control houses, radio stations, warehouses and administrative offices.
- Currently, 70% of the Facilities portfolio is in need of elevated levels of maintenance, repair or replacement, which represents an increased risk to safety and operations.
- Contractual obligations (leases) and other must funds (utility bills) continue to increase. The utility obligations include storm water fees, which have significantly increased over the last three rate periods.
- Building Lease costs have recently increased by approximately 14% and have annual incremental OA increases.
- When spending levels are flat and don't reflect the increased costs, dollars are diverted from projects to meet these mandatory obligations. This results in increased maintenance backlogs, degraded asset conditions, and shorter asset life.
- The acquisition of Grand Coulee assets from the Bureau of Reclamation requires initial facility and site outfitting and repairs for personnel safety, security and operational requirements.

Security and Continuity of Operations

- Maintaining the current level of facility protection while planning for a large increase in contractual labor costs.

- Planning for an increase in labor costs for Export Control and Security Assessments in accordance with law and policy.
- Planning for a return to Pre-Covid Travel and Training expenses needed for Certifications and Security Compliance.
- Planning for an increase in system maintenance costs to keep up with aging device failures while capital reinvestments get underway.
- Planning for expected increases in OPM costs for background investigations, and the number of required and recurring background checks, to keep the BPA workforce vetted in accordance with OPM and DOE requirements. (Compliance with Trusted Workforce initiatives).
- Planning for the expected rollout of a change to government-wide program for protecting Controlled Unclassified Information.
- Planning for resources to support the Business Impact Analysis findings and mitigation strategies for Continuity Resilience initiatives.
- BPA's Grand Coulee acquisition assets from BOR will require initial facility and site outfitting and repairs for personnel safety, security and operational requirements (applies to Facility costs as well).

Business Transformation Office (BTO)

- The BTO's projected cost decrease of \$12.4 million is related to the Key Strategic Initiative (KSI) Grid Modernization (Grid Mod) being complete in FY23 and therefore the funding is no longer needed. Funding for Grid Mod is now included in the projected costs of the sponsoring organizations.

Finance

- Finance's projected costs represent maintaining current staffing levels and an investment in BPA's finance function to mitigate risk in certain key finance functional areas.
- BPA has systematically assessed risk in the current state finance function and has identified "single points of failure" where certain financial processes or outputs are inadequately staffed and have a high likelihood of risk to BPA's financial statements or key processes.
- The majority of the projected increase in the Finance program cost is related to inflation on existing Finance staff and adding new Finance staff on a targeted basis to address the highest risk, single point of failure exposures.

Chief Workplace and Strategy Office (CWSO)

Our goal is to strengthen the agency's strategic capabilities in a fast-changing industry; support organizational alignment; ensure BPA can attract and retain its skilled workforce; and provide a workplace that drives employee satisfaction and productivity. All of which ultimately enhance BPA's ability to perform its public service mission and provide exceptional customer service.

In 2021, John led the reorganization of our executive structure to both strengthen the agency's strategic capabilities and enhance its commitment to its workforce and organizational culture. This new organization combines existing programs and functions with a revamped Technology Innovation and Strategy department and a new Chief Culture Office. The new Chief Workforce and Strategy Office is made up of: our new Chief Culture Office, which includes our Diversity and

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Inclusion program; our Civil Rights and Equal Employment Opportunity Office; Communications organization; and BPA's Human Resources Service Center.

While many of these functions and programs remain unchanged, this structure provides additional opportunities for these departments to collaborate and coordinate in new and meaningful ways. The timing of this reorganization allows the new Chief Workforce and Strategy Office to guide the planning and development of BPA's new strategic plan, which is well underway. And we expect the document, along with measurement considerations, to be ready for implementation in 2024; the plan will be activated in January 2024. At that point, the Chief Workforce and Strategy Office will be in charge of measuring the agency's progress to deliver on goals and objectives, as well as guiding the agency as the landscape evolves.

The bottom line is that a greater emphasis on our people, organizational culture and strategic execution are essential to our ability: to perform BPA's public service mission; meet our responsibilities; achieve our strategic and workplace goals; retain and recruit high-performing employees; and ultimately provide excellent service to our customers and the region.

Specific cost drivers are as follows:

- The CWSO is forecasting an additional \$9 million over the last IPR.
- Approximately \$4 million of the total projected increase represents the expected cost, with inflation, of the additional staffing and other resources required to execute the new mission of the CWSO.
- The Strategy Office, Chief Culture Office and HR Service Center will incur the majority of the forecast cost increases.
- An additional \$5 million is forecast in wage inflation from staff and resources that existed at BPA before the re-organization and creation of new functions.

Administrator

- The Administrator's office went through a reorganization at the start of FY 2022. The Intergovernmental Affairs department joined the Administrator's office. Therefore the \$4.7 million increase is from the Intergovernmental Affairs department and inflation on existing staff.

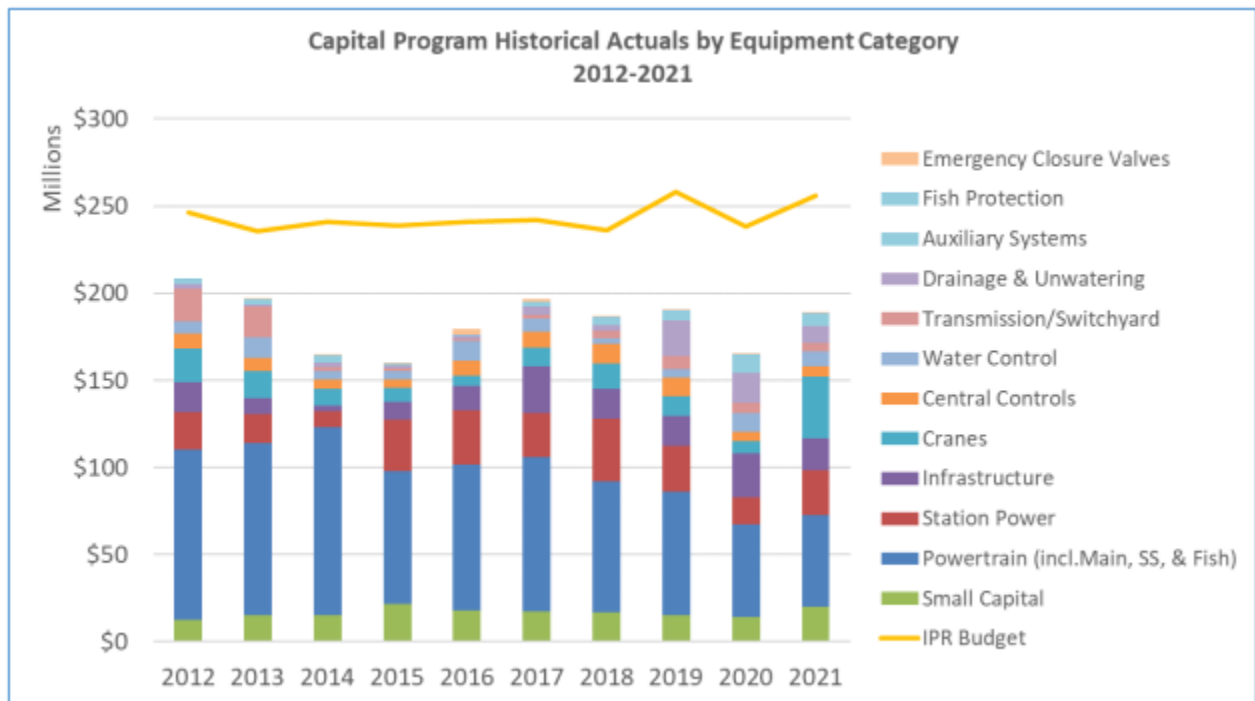
Enterprise Services Expense Summary (PG 53-54 of BP-24 Initial IPR Publication)

	Actuals		Rate Case		Avg		Avg Rate Case	Avg Proposed IPR	Variance AVG BP-24 to BP-22 (thousands)	Variance %
					Proposed					
					IPR					
	2020	2021	2022	2023	2024	2025	2022-2023	2024-2025		
Information Technology	95,815	101,792	100,746	101,241	121,021	125,985	100,994	123,503	22,509	22.30%
Workplace Services	46,573	51,103	51,155	51,354	61,436	62,131	51,254	61,783	10,529	20.50%
Supply Chain Services	35,795	37,646	38,098	38,098	39,470	40,845	38,098	40,158	2,060	5.40%
Security & Continuity Of Ops	12,138	13,029	11,996	12,119	17,810	18,199	12,058	18,004	5,946	49.30%
Safety	5,737	5,438	6,329	6,475	6,520	6,755	6,402	6,637	235	3.70%
Program Management Office	3,060	3,381	3,214	3,292	2,157	2,247	3,253	2,202	-1,051	-32.30%
Undistributed Reduction	-	-	-3,400	-3,400	-	-	-3,400	-		
Chief Administrative Office	199,118	212,388	208,138	209,178	248,414	256,162	208,658	252,288	43,630	20.90%
Subtotal										
Business Transformation Office	11,205	10,827	17,065	17,168	4,617	4,816	17,117	4,717	-12,400	-72.40%
Compliance, Audit, & Risk Management	17,693	19,672	18,320	18,850	20,956	21,763	18,585	21,359	2,774	14.90%
Finance	14,825	14,927	14,857	14,839	17,861	18,666	14,848	18,263	3,415	23.00%
Chief Workforce & Strategy Office	25,214	24,990	26,587	27,143	35,448	36,767	26,865	36,107	9,242	34.40%
	Actuals		Rate Case		Avg		Avg Rate Case	Avg Proposed IPR		
					Proposed					
					IPR					
	2020	2021	2022	2023	2024	2025	2022-2023	2024-2025		
Chief Operating Office	12,517	14,546	13,633	14,067	12,517	12,962	13,850	12,739	-1,111	-8.00%
General Counsel	10,394	10,946	11,784	11,784	13,205	13,205	11,784	13,205	1,421	12.10%
Administrator	1,976	500	607	619	5,288	5,288	613	5,288	4,675	762.60%
Enterprise Services' Total	292,941	308,798	310,992	313,649	358,306	369,628	312,320	363,967	51,647	16.50%

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2. BPA’s capital program. Looking at historical actuals BPA has typically met (call it) 60-75% actuals/budget based on the chart below. While BPA has implemented a new secondary capacity execution strategy and provides updates in QBR workshops and during the Financial refresh process, BPA might consider reviewing more thoroughly historical/planned capital and applicable execution of capital projects for BP-24.

Capital Program Historical/Actuals by Equipment Category (PG 20 of BP-24 Initial IPR Publication)



BPA has been thoughtfully reviewing historic expenditures compared to our original forecast and analyzing our underperformance compared to planned levels. As we work to mature our asset management program and strengthen our performance, BPA has created a mid-point budget, for Fed Hydro and Transmission, which is 10% less than forecasted levels to ensure our forecast in rates are more in line with historic performance. While 10% less than forecasted levels is below historical actuals for Transmission and a bit below for Fed Hydro, the BPA is striving to achieve a higher level of execution, which is reflected in the Fed Hydro and Transmission’s High Budget Tables, which are located in the SAMP, section 8.1, and more in line with our Asset Management strategy for BP-24.

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3. Fish and Wildlife costs don't seem to align in the initial publication to the presentation in the IPR workshop? Can you confirm why there is a variance? (see below)

Fish and Wildlife Expense and Capital (PG 89 of BP-24 Initial IPR Publication)

The forecast costs shown in the BP-24 Initial IPR Publication show the Fish and Wildlife program that is entirely attributable to the Power business unit and the Environment program that is entirely attributable to the Transmission business unit. Whereas the IPR workshop presentation is only showing the Fish and Wildlife expense and capital forecast costs, the Power business unit costs.

In addition, the BP-24 Initial IPR Publication, Table 40 "Environment, Fish & Wildlife, Expense Detail" the "Power Direct Support" row which shows the Proposed IPR 2024 as \$308,513 and Proposed IPR 2025 as \$308,254 includes approximately \$7 million in general and administrative costs to run the Fish and Wildlife program as well as the Lower Snake River hatcheries program. The Fish and Wildlife IPR workshop presentation only showed the Fish and Wildlife and Lower Snake River hatcheries program costs. Below is a table that shows a further breakout of the Power Direct Support as shown in the BP-24 Initial IPR Publication.

Table 40: Environment, Fish & Wildlife, Expense Detail

(\$thousands)	Actuals		Rate Case		Proposed IPR		Avg Rate Case	Avg Proposed IPR
	2020	2021	2022	2023	2024	2025	2022-2023	2024-2025
Enterprise Services' Allocated G&A	88	54	-	-	-	-	-	-
Transmission Direct Support	5,644	5,244	7,417	7,630	8,619	8,879	7,524	8,749
Power Direct Support	264,055	277,044	286,920	282,707	308,513	308,254	284,814	308,383
Total	269,787	282,342	294,337	290,337	317,133	317,133	292,337	317,133

Table 50: Environment, Fish and Wildlife, Capital Detail

(\$thousands)	Proposed IPR		Capital Outyears							
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Fish & Wildlife	41,335	41,300	29,000	15,700	15,000	15,000	15,000	15,000	15,000	15,000
Environment	5,600	5,610	5,619	5,630	5,640	5,650	5,660	5,670	5,680	5,690
Capital Total	46,935	46,910	34,619	21,330	20,640	20,650	20,660	20,670	20,680	20,690

F&W Integrated Program and LSRCP, capital and expense

	Actuals			BP-22 Rate Case		BP-24 IPR	
	2019	2020	2021	2022	2023	2024	2025
Fish & Wildlife	\$22,312,998	\$40,184,699	\$41,897,146	\$43,000,000	\$43,000,000	\$41,335,000	\$41,300,000
Capital Total	\$22,312,998	\$40,184,699	\$41,897,146	\$43,000,000	\$43,000,000	\$41,335,000	\$41,300,000
LSRCP	\$26,793,644	\$31,852,091	\$30,749,051	\$33,000,000	\$29,000,000	\$32,265,000	\$32,265,000
Fish & Wildlife	\$228,539,903	\$226,236,258	\$241,109,104	\$247,507,739	\$247,195,591	\$269,234,647	\$268,865,202
Expense Total	\$255,333,547	\$258,088,349	\$271,858,155	\$280,507,739	\$276,195,591	\$301,499,647	\$301,130,202

Tier 1 Department	Business Unit	Programs	IPR 2024	IPR 2025
1E - ENVIRONMENT, FISH & WILDLIFE	POWER	LOWER SNAKE HATCHERIES	32,265,000	32,265,000
		FISH & WILDLIFE	269,234,647	268,865,202
		GENERATION PROJ COORDINATION	2,738,018	2,738,018
		POWER INTERNAL SUPPPORT	567,992	591,668
		SALES & SUPPORT	3,707,549	3,793,844
	POWER Total	308,513,206	308,253,731	
	TRANS	POLLUTION PREVENTN & ABATEMENT	5,387,962	5,541,708
		ENVIRONMENTAL POLICY/PLANNING	3,231,375	3,337,104
	TRANS Total	8,619,337	8,878,811	
Grand Total			317,132,543	317,132,543

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