

B O N N E V I L L E P O W E R A D M I N I S T R A T I O N



# Bonneville Power Administration

March 2024

# BPA at a Glance

One Agency, Two Business Units



- Service territory is ~300,000 square miles across 8 northwestern states serving 14 million people
- Market power from 31 federal hydro projects, the Columbia Generating Station nuclear plant and several non-federal projects – all of which are carbon free
- Transmission system is ~15,000 circuit miles of high voltage lines
- Diverse Service Territory
  - Customers span major cities, municipalities, IOUs and small rural electrics
  - Territory covers coastal, valley, mountain and desert terrain
- Provide ~28 percent of the power consumed in the PNW

# BPA at a Glance

## Statutory Foundation

<p><b>Funding Sources</b></p>	<ul style="list-style-type: none"> <li>• Access to capital through Federal and Non-Federal sources</li> <li>• Revolving authority to borrow up to \$13.7 billion in bonds from the U.S. Treasury, increasing to \$17.7 billion starting in FY28; \$7.9 billion available (09/30/23)</li> </ul>
<p><b>Cost Recovery</b></p>	<ul style="list-style-type: none"> <li>• BPA is required by law to establish rates to recover all costs</li> <li>• FERC reviews and approves rates to ensure that BPA rates recover all costs</li> </ul>
<p><b>Non-Federal Payment Priority &amp; Liquidity</b></p>	<ul style="list-style-type: none"> <li>• Cash payments for Non-Federal debt are met <u>before</u> payments by BPA to the U.S. Treasury; BPA sets rates to achieve a 95% Treasury Payment Probability</li> <li>• Liquidity tools include cash and short-term investment balances and a \$750 million U.S. Treasury line of credit</li> </ul>
<p><b>Ratings</b></p>	<p>Moody's: Aa1, Negative      Fitch: AA, Stable      S&amp;P: AA-, Stable</p>

## Direct Generation Fleet

Carbon Emission Free



**Grand Coulee**  
33 Units / 7,049 MW\*



**Chief Joseph**  
27 Units / 2,614 MW\*



**John Day**  
16 Units / 2,484 MW\*



**The Dalles**  
22 Units / 2,048 MW\*



**Bonneville**  
18 Units / 1,216 MW\*



**McNary**  
14 Units / 1,127 MW\*



**Lower Monumental**  
6 Units / 930 MW\*



**Little Goose**  
6 Units / 930 MW\*



**Lower Granite**  
6 Units / 930 MW\*



**Ice Harbor**  
6 Units / 695 MW\*

\* Maximum MW capacity

- 21 additional projects (not pictured), 51 units, 2,378 MW\*; 1 nuclear power plant, 1 unit, 1,169 MW (rated capacity)
- Totaling to 31 total hydro projects & 1 nuclear plant, 206 Units, 23,548 MW\*
- Key Take Away: BPA's generation fleet is carbon free and serves 14 million people of the PNW at very low cost

# Financial Highlights

## BPA's Framework

- Agency 2024 – 2028 Strategic Plan includes strategic goal of *Sustain Financial Strength*. Key financial resiliency goals:
  - Debt Utilization: Achieve leverage at or below 60% by 2040
  - Debt Capacity: Preserve \$1.5 billion borrowing authority
  - Liquidity: Maintain minimum of 60 DCOH and 95% Treasury Payment Probability
- Granted an increase of \$10 billion of U.S. Treasury Borrowing Authority in 2021; bringing the total cap to \$17.7 billion starting in FY28; no access to capital shortfall for the foreseeable future.
- BP24 Power rates for FY24 – FY25 contains \$258 million of added cash flow for risk, e.g. funds not needed to cover forecast costs.
- In FY23, BPA made its 40th consecutive U.S. Treasury payment on time and in full.
- Liquidity tools remain strong:
  - Ability to draw up to \$750 million for expenses on a line of credit with the U.S. Treasury
  - Excess cash flow included in rates which can be repurposed to liquidity
  - Rates include triggers to protect liquidity

## Non-Federal Debt Service Coverage<sup>1</sup>

(\$millions excluding ratios)	FY21	FY22	FY23
Total Operating Revenues	3,823	4,722	4,248
Total Operating Expenses <sup>2</sup>	1,996	2,144	2,848
Funds Available to meet Non-Federal Debt Service	1,827	2,578	1,400
Non-Federal Debt Service	336	357	390
Non-Federal Debt Service Coverage Ratio	<b>5.4x</b>	<b>7.2x</b>	<b>3.6x</b>

- Non-Federal Debt management actions, such as the Regional Cooperation Debt program, have continued to result in higher than historical Non-Federal Debt Service Coverage results

<sup>1</sup>This information is presented in Official Statements for BPA-backed, Non-Federal Debt bond issuances however, BPA's audited financial statements do not include a similar table

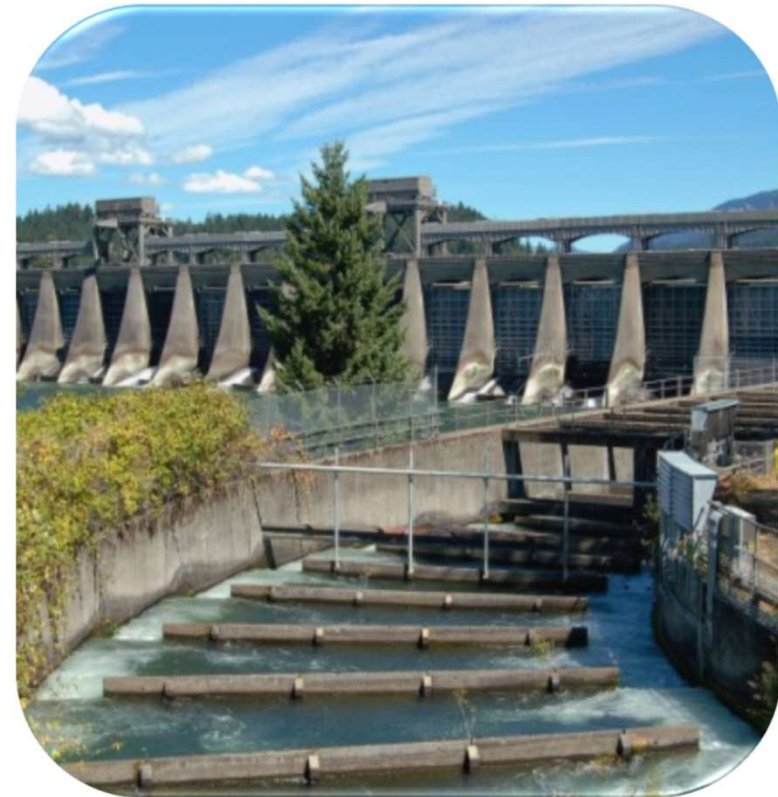
<sup>2</sup>Operating Expenses include the following items from the Federal System Statement of Revenues and Expenses: BPA O&M, Purchased Power, Book-outs, Non-Federal entities O&M-net billed, Non-Federal entities O&M non-net-billed, and the Residential Exchange Program. Operating Expenses do not include certain payments to the Corps and Reclamation



## Current Agency Highlights

### Looking to the Future

- New contracts & competitively positioned:
  - Expect to execute new long-term power sales contracts in mid 2025 to go into effect in 2028
  - BPA’s current average effective Tier 1 rate is ~\$35/MWh
  - Increased interest in BPA’s capacity-based products that help integrate and balance renewables
- Historic Fish & Wildlife settlements (2 agreements):
  - Result is potential 10 year stay in litigation (initial 5 year stay and presumed 5 year renewal)
  - Commits BPA to ~\$200M over 20 years and ~\$300M over 10 years (plus inflation for both)
- BPA Transmission expansion:
  - Accelerating work on nearly \$2B of “evolving grid” projects to help meet customer need, enhance reliability, and integrate renewables
  - First-ready/First-served queue reform adopted to help manage the significant increase in generator interconnection requests



Fish Ladder at the Bonneville Dam

## Vegetation Management & Wildfire Mitigation

- BPA uses a tiered approach to manage risks in this area:
  - System Hardening: Robust vegetation management program to minimize risk and customer impact
  - Situational Awareness Monitoring: Enhanced weather monitoring and forecasting; Asset management tools used to understand criticality, health & risk
  - Wildfire Season: Utilize enhanced protection and control settings
  - Extreme Risk Days: Stand up Public Safety Power Shutoff (PSPS) decision making team
  - Activate PSPS: Last resort, BPA triggers the PSPS
- Wildfire liability:
  - Tort Claims: All settlements or court judgments from tort claims are paid by the United States Judgment Fund, not the Bonneville Fund. As a result of the 2020 wildfires, 3 separate suits were filed in 2024, totaling more than \$2B.
  - Other Issues: In addition to the tort claims, an inverse condemnation complaint was filed in the United States Court of Federal Claims in Washington DC.
    - The US Government has filed a motion to dismiss which has yet to be ruled on.
    - Bonneville is unable to predict at this time the source of payments for any settlement or judgments arising from an inverse condemnation claim.





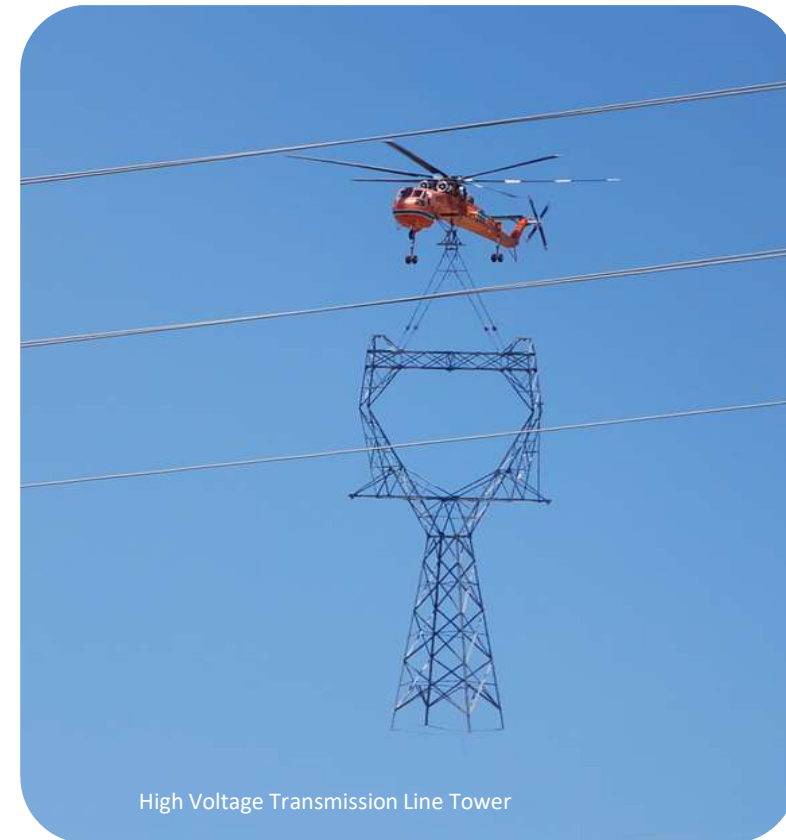
## Planning for the Impact of Climate Change

- BPA has been monitoring the impact of climate change for more than a decade.
- Climate change signals are beginning to emerge in our streamflow records and are expected to continue.
- As a result of this effort, BPA has recently updated its streamflow forecasting model to utilize the most recent 30-years to better reflect these impacts. The results forecast:
  - Higher annual volumes as regional precipitation increases
  - Higher winter and spring flows
  - Earlier spring runoff peaks are beginning to emerge
  - Lower June-July flows and longer periods of low summer flows
- BPA's 2024-2028 Strategic Plan outlines carbon reduction as an Agency priority, defining goals and objectives for the coming years.



## Managing Cyber and Physical Asset Security

- Cyber Security
  - Implementation and monitoring of real time cyber security controls by permanent, full-time team
  - Coordination with other the federal government agencies
  - Subject to mandatory NERC reliability standards including Critical Infrastructure cybersecurity standards
  - 24x7 Cyber Security Operations and Analysis Center
  - Redundant system control centers, geographically separated
- Physical Asset Security
  - Strategy in place to deter, detect, delay, assess, communicate and respond to security-related events
  - Actions: physical hardening; contract security officers; systems for physical access control, intrusion detection, and video surveillance
  - Permanent, full-time team dedicated to monitoring threats; coordination with state and federal government agencies



## BPA Credit Highlights

### Statutory Purpose & Obligations

- Market power from 31 hydro projects and 1 nuclear plant, carbon-free
- Own/lease 15,000 miles of high voltage transmission lines, 259 substations
- Required by law to establish rates to recover all costs
- Cash payments for non-federal debt are met before payments to the U.S. Treasury

### Current Risks & Mitigation

- Modeling for climate change in BPA's service territory - warmer and slightly wetter
- Strong wildfire mitigation and monitoring - do not expect any material impact to or ability to deliver power as a result of wildfires
- Cyber and physical security programs in place to monitor, detect, and respond to events

### Financial Highlights

- Leverage has declined; strong liquidity tools in place
- Added borrowing authority means no access to capital issues for the foreseeable future
- Maintained high-investment grade credit ratings
  - Moody's: Aa1, negative
  - S&P: AA-, stable
  - Fitch: AA, stable

## Non-Federal Debt & Upcoming Transactions\*

- BPA has a continuing collaboration with Energy Northwest to issue non-federal debt which is fully supported by BPA under existing net billing agreements
- Port of Morrow and the Idaho Energy Resources Authority are authorized to finance transmission projects with publicly issued bonds and credit arrangements secured by BPA lease-purchase commitments



- Energy Northwest issuance of approximately \$800,000,000 is currently expected to price in two separate issuances in April 2024 and May 2024
- Bond proceeds would finance new money capital needs and refinance certain outstanding bonds for the Columbia Generating Station as well as to refinance certain outstanding bonds for Project 1 and Project 3
- The bonds will be primarily tax-exempt, and preliminary structure anticipates bonds amortizing in years 2025–2040
- Pricing syndicate includes J.P. Morgan, Wells Fargo Securities, and BofA Securities



- BPA expects to work with the Port of Morrow to issue approximately \$81 million in taxable bonds to support our Transmission Lease Purchase program
- The bonds are expected to price in June 2024 through a syndicate including Wells Fargo Securities, BofA Securities, and TD Securities

\*Preliminary, subject to change; when, as, and if issued. There is no guarantee that all or a portion of the Bonds will be offered, sold or issued.

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<https://www.bpa.gov/about/finance/investor-relations>