

Quarterly Financial Report

2022 Second Quarter

Q2

Management's Discussion and Analysis

Profile

The Bonneville Power Administration (BPA) is a nonprofit federal power marketing administration based in the Pacific Northwest. Although BPA is part of the U.S. Department of Energy, it is self-funding and covers its costs by selling its products and services. BPA markets wholesale electrical power from 31 federal hydroelectric projects in the Northwest, one nonfederal nuclear plant and several small nonfederal power plants. The dams are operated by the U.S. Army Corps of Engineers (USACE) and the Bureau of Reclamation (Reclamation). The nonfederal nuclear plant, Columbia Generating Station, is owned and operated by Energy Northwest, a joint operating agency of the state of Washington. BPA provides about 28% of the electric power generated in the Northwest, and its resources – primarily hydroelectric – make BPA power nearly carbon free.

BPA also operates and maintains more than 15,000 circuit miles of high-voltage transmission in its service territory. BPA's territory includes Idaho, Oregon, Washington, western Montana and small parts of eastern Montana, California, Nevada, Utah and Wyoming.

BPA promotes energy efficiency, renewable resources and new technologies that improve its ability to deliver on its mission. To mitigate the impacts of the federal dams, BPA implements a fish and wildlife program that includes working with its partners to make the federal dams safer for fish passage.

BPA is committed to public service and seeks to make its decisions in a manner that provides opportunities for input from all stakeholders. In its vision statement, BPA dedicates itself to providing high system reliability, low rates consistent with sound business principles, environmental stewardship and accountability.

General

The Federal Columbia River Power System (FCRPS) financial statements combine the accounts of BPA with the accounts of the Pacific Northwest generating facilities of the USACE and Reclamation. The FCRPS financial statements also include the operations and maintenance costs of the U.S. Fish and Wildlife Service for the Lower Snake River Compensation Plan facilities. Consolidated with BPA is a variable interest entity (VIE) of which BPA is the primary beneficiary, and from which BPA leases certain transmission facilities. The FCRPS fiscal year is from October 1 to September 30.

Use of Estimates and Forward-Looking Information

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates



and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

This Management's Discussion and Analysis (MD&A) is unaudited and may contain statements, which to the extent they are not recitations of historical facts, constitute "forward-looking statements." In this respect, the words "planned," "predict," "could," "estimate," "expect" and similar expressions are intended to identify forward-looking statements. A number of important factors affecting FCRPS business and financial results could cause actual results to differ materially from those stated in forward-looking statements due to factors such as changes in economic, industry, political and business conditions; changes in laws, regulations and policies and the application of the laws; and changes in climate, weather, hydroelectric conditions and power services supply and demand. BPA does not plan to issue updates or revisions to the forward-looking statements.

See Other Operational Matters, COVID-19 Pandemic and Effects on the Bonneville Power Administration, for a short discussion of how BPA is responding to the evolving risks and uncertainties resulting from the COVID-19 pandemic.

Rates and the Effect of Regulations

Rates for Fiscal Years 2022-2023

To establish rates for fiscal years 2022 and 2023, BPA concluded the BP-22 rate proceeding in July 2021 by releasing the Administrator's Final Record of Decision and Final Proposal. On Sept. 30, 2021, FERC granted interim approval of rates for the BP-22 rate period and such rates became effective on an interim basis, pending FERC final review, on Oct. 1, 2021, and will be effective through Sept. 30, 2023. FERC granted final approval of the BP-22 Power and Transmission rates in March 2022. When compared to the BP-20 rate period, the final average power rate decrease was 2.5%, and the final weighted average transmission rate increase was 5.4%.

As with the 2020-2021 rate period, power and transmission rates in the BP-22 rate period also include rate adjustment mechanisms, such as a Cost Recovery Adjustment Clause (CRAC), Financial Reserves Policy (FRP) Surcharge and Reserves Distribution Clause (RDC), that BPA employs if certain financial conditions occur.

Based on the amount of financial reserves available for risk that were attributed to Power Services and BPA at the end of fiscal year 2021, the Power RDC "triggered" resulting in a Power RDC Amount of \$13.7 million. As defined in the BP-22 rate case, if business line financial reserves and agency financial reserves are above their respective upper thresholds, and the RDC amount is greater than \$5 million, the BPA Administrator shall consider the above-threshold financial reserves for debt reduction, incremental capital investment, rate reduction through a Power Dividend Distribution, distribution to customers, or any other Power-specific purposes determined by the BPA Administrator. In December 2021, the Administrator determined that the entire amount would be used to reduce rates through a Power Dividend Distribution which resulted in a credit to be applied to December 2021 through September 2022 customer bills. To satisfy this commitment, BPA has recorded a reduction to Power Services revenue of \$5.4 million through March 31, 2022.

Results of Operations

Operating revenues

A comparison of FCRPS operating revenues follows for the six months ended March 31, 2022, and March 31, 2021:

| <i>(Millions of dollars)</i> | Fiscal Year 2022 | Fiscal Year 2021 | Revenue Increase (Decrease) | % Change |
|------------------------------|------------------------|------------------------|-----------------------------------|-------------|
| Sales | | | | |
| Consolidated sales | | | | |
| Power gross sales | \$ 1,630.6 | \$ 1,405.5 | \$ 225.1 | 16 % |
| Transmission | 518.5 | 480.0 | 38.5 | 8 |
| Bookouts (Power) | (25.7) | (26.6) | 0.9 | (3) |
| Consolidated sales | 2,123.4 | 1,858.9 | 264.5 | 14 |
| Other revenues | | | | |
| Power | 20.5 | 17.7 | 2.8 | 16 |
| Transmission | 23.5 | 18.5 | 5.0 | 27 |
| Other revenues | 44.0 | 36.2 | 7.8 | 22 |
| Sales | 2,167.4 | 1,895.1 | 272.3 | 14 |
| U.S. Treasury credits | 56.4 | 43.1 | 13.3 | 31 |
| Total operating revenues | \$ 2,223.8 | \$ 1,938.2 | \$ 285.6 | 15 |

Total operating revenues increased \$285.6 million when compared to the same period of fiscal year 2021. Sales of Power and Transmission Services, including other revenues and the effect of bookouts, increased \$272.3 million.

Power Services gross sales increased \$225.1 million. Surplus power sales, including revenue from derivative instruments settled with physical deliveries, increased \$219.8 million. This increase was mainly driven by higher volumes and higher electricity prices realized for surplus sales when compared to the same period of fiscal year 2021. In addition, sales of firm power increased \$5.3 million compared to same period of fiscal year 2021.

Bookouts are presented on a net basis in the Combined Statements of Revenues and Expenses. When sales and purchases are scheduled with the same counterparty on the same transmission path for the same hour, the power is typically booked out and not scheduled for physical delivery. The megawatt-hours that offset each other net to zero. The dollar values of these offsetting transactions reduce both sales and purchased power expense and are recorded as bookouts. Therefore, the accounting treatment for bookouts has no effect on net revenues, cash flows or margins.

Transmission Services revenues increased \$38.5 million primarily due to increases in the sale of point-to-point long-term and network integration. Point-to-point long-term revenues increased primarily due to a rate increase of 7.5% consistent with the BP-22 rate case, and new service, while the increase in network integration revenues was largely driven by a BP-22 rate increase of 14.7%.

Power other revenue increased \$2.8 million primarily due to an increase in realized gains associated with financial futures trades. BPA uses financial futures contracts on energy as an operational hedge to mitigate for price volatility in the physical energy market. Financial futures contracts are settled financially and not through the delivery of power.

Transmission other revenue increased \$5 million primarily due to an increase in fees that BPA receives for the use of transmission system assets for wireless communications and fiber optic cables.

U.S. Treasury credits increased \$13.3 million for fish and wildlife mitigation due to higher volumes of replacement power purchases at higher market prices when compared to the same period of fiscal year 2021. Under the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act), BPA reduces its annual payment to the U.S. Treasury for the nonpower portion of expenditures, set at 22.3%, that BPA makes for fish and wildlife protection, mitigation and enhancement. Through the fiscal year, BPA records anticipated U.S. Treasury credits earned through the reporting period. At fiscal year-end, BPA calculates and records the annual amount of U.S. Treasury credits earned.

Operating expenses

A comparison of FCRPS operating expenses follows for the six months ended March 31, 2022, and March 31, 2021:

| <i>(Millions of dollars)</i> | Fiscal Year 2022 | Fiscal Year 2021 | Expense Increase (Decrease) | % Change |
|--|------------------------|------------------------|-----------------------------------|-------------|
| Operations and maintenance | \$ 1,054.9 | \$ 1,054.3 | \$ 0.6 | 0 % |
| Purchased power | 100.6 | 96.6 | 4.0 | 4 |
| Depreciation, amortization and accretion | 420.4 | 414.2 | 6.2 | 1 |
| Total operating expenses | <u>\$ 1,575.9</u> | <u>\$ 1,565.1</u> | <u>\$ 10.8</u> | 1 |

Total operating expenses increased \$10.8 million when compared to the same period of fiscal year 2021.

Operations and maintenance expense increased approximately \$600 thousand primarily due to the following factors:

- \$31 million decrease to Energy Northwest’s Columbia Generating Station nuclear power plant. This decrease was largely due to fiscal year 2021 being a refueling year. Refueling occurs biennially, most recently in fiscal year 2021, and refueling and maintenance expenses are higher in refueling years.
- \$8.6 million increase to “Scheduled Amounts” in accordance with the 2012 Residential Exchange Program Settlement Agreement. Increases to these Scheduled Amounts occur at the start of each new rate period.
- \$7.4 million increase in USACE expenses primarily due to fish mitigation studies as well as increased labor and material costs due to supply chain delays.
- \$4.6 million increase in conservation purchases due to increased amounts of work performed in fiscal year 2022.
- \$11 million net increase to various other Power, Transmission and Enterprise Services program costs.

Purchased power expense, including the effects of bookouts, increased \$4 million primarily due to the following factors:

- \$54.6 million increase in contracted power purchases resulting from high market prices realized through the second quarter of fiscal year 2022.
- \$50.8 million decrease related to water storage agreements with BC Hydro, an electric utility owned by the Province of British Columbia. Yearly fluctuations in water levels, river operations and storage plans, particularly at certain dams in and near Canada, affect the amounts owed to or from BC Hydro. As of March 31, 2022, BC Hydro owed BPA nearly \$25 million per terms of these agreements. The final amount owed or receivable will be determined as of August 31, 2022.

Depreciation, amortization and accretion increased \$6.2 million primarily due to an increase in amortization related to Columbia River Fish Mitigation (CRFM). Beginning in fiscal year 2022, the amortization period for the CRFM regulatory asset changed from 75 years to 50 years as stated in the BP-22 rate case.

Interest expense and other income, net

A comparison of FCRPS interest expense and other income, net follows for the six months ended March 31, 2022, and March 31, 2021:

(Millions of dollars)

| | Fiscal Year 2022 | Fiscal Year 2021 | Expense Increase (Decrease) | % Change |
|--|------------------------|------------------------|-----------------------------------|-------------|
| Interest expense | \$ 211.8 | \$ 218.0 | \$ (6.2) | (3) % |
| Allowance for funds used during construction | (15.7) | (14.7) | (1.0) | 7 |
| Interest income | (1.0) | (0.8) | (0.2) | 25 |
| Other income, net | (12.2) | (21.9) | 9.7 | (44) |
| Total interest expense and other income, net | <u>\$ 182.9</u> | <u>\$ 180.6</u> | <u>\$ 2.3</u> | <u>1</u> |

Total interest expense and other income, net increased \$2.3 million when compared to the same period of fiscal year 2021. This increase was primarily driven by a \$9.7 million decrease in Other income, net, which is reported among and effectively increased Total interest expense and other income, net. During fiscal year 2021, BPA recorded \$5 million per quarter of other income related to the WNP-1 and WNP-4 decommissioning and site restoration regulatory liability. BPA recorded no such income during fiscal year 2022. Partially offsetting the \$9.7 million change was a \$6.2 million decrease to interest expense driven by the amortization of premiums on nonfederal debt related to Columbia Generating Station.

Accrued Construction work in progress

Amounts accrued in Accounts payable and other on the Combined Balance Sheet for Construction work in progress assets were approximately \$80 million and \$66 million as of March 31, 2022, and 2021, respectively.

Other Operational Matters

U.S. Treasury Borrowing Authority Increase

The Bipartisan Infrastructure Deal legislation signed into law on Nov. 15, 2021, increased the amount of bonds that BPA is authorized to issue and sell to the U.S. Treasury, and to have outstanding at any one time, from \$7.7 billion to \$17.7 billion. Of the total \$10 billion increase, \$6 billion is authorized for immediate use, with the remaining \$4 billion becoming available for use beginning in fiscal year 2028. The additional \$10 billion in borrowing authority was provided to assist BPA in the financing of the construction, acquisition, and replacement of the Federal Columbia River Power System and to implement the authority of the BPA Administrator under the Northwest Power Act.

Energy Northwest line of credit activity

In December 2021, Energy Northwest borrowed approximately \$49 million under an existing short-term borrowing arrangement to pay a portion of the interest coupon payment allocable to unamortized bond premiums related to certain outstanding bonds for Columbia Generating Station and terminated nuclear facilities Projects 1 and 3. BPA management expects Energy Northwest to issue long-term bonds to repay this amount in the third quarter of fiscal year 2022.

Western Energy Imbalance Market

In September 2021, BPA issued a record of decision regarding BPA's decision to enter the California Independent System Operator Western Energy Imbalance Market (WEIM) as a full participant on March 2, 2022. After a slight delay from the original expected go live date, BPA is expected to join the WEIM on May 3, 2022. An EIM is a voluntary market that provides a sub-hourly economic dispatch of participating resources for balancing supply and demand every five minutes. New market opportunities such as the WEIM have the potential to both reduce BPA's costs through greater efficiencies and increase revenues by providing a new way to market surplus power.

COVID-19 Pandemic and Effects on the Bonneville Power Administration

The COVID-19 pandemic did not materially affect FCRPS net revenues for the six months ended March 31, 2022, and 2021. Electric power loads served by BPA remained stable and comparable to fiscal year 2021 levels. The COVID-19 pandemic has led to a broad range of supply chain issues. For example, delivery times and prices on certain materials and components have increased while the availability of contract labor personnel has been constricted in some labor categories. Despite these challenges, BPA continues to fulfill its mission to deliver reliable power and transmission service throughout the region.

During winter 2022, BPA developed and implemented a gradual reentry policy to move the workforce away from maximum telework status starting April 11, 2022, or shortly thereafter. Until this date, and consistent with federal and Department of Energy (DOE) guidance, most of the BPA non-essential workforce remained in maximum telework status. BPA implemented a maximum telework status on March 13, 2020, for non-essential employees and contract personnel and closed its Portland, Vancouver and Spokane facilities to non-essential staff until further notice. By March 31, 2022, some operational restrictions had eased to allow access to a facility or worksite for those workers whose duties cannot be performed remotely.

BPA implemented a Sept. 9, 2021, executive order requiring federal employees to be fully vaccinated. As of March 31, 2022, most of the BPA workforce was fully vaccinated. Most of the

remaining employees requested reasonable accommodations for either medical or religious reasons. On Jan. 21, 2022, a federal district court issued a nationwide preliminary injunction with regard to the executive order that enjoins implementation of the COVID-19 vaccination requirement. On April 7, 2022, the U.S. Court of Appeals for the Fifth Circuit issued an opinion stating that the district court erred in issuing a preliminary injunction and was required to dismiss the case. However, there are still procedural steps that need to take place to lift the injunction; at this time the district court's preliminary injunction remains in effect. Consistent with DOE guidance, BPA is awaiting government-wide guidance regarding implementation of this ruling, and at this time BPA is not taking any actions to implement the COVID-19 vaccination requirement or process any associated reasonable accommodation requests.

DOE issued its COVID-19 Workplace Safety and Reentry Framework on Dec. 15, 2021, allowing for a phased return to facilities beginning in 2022. BPA reviewed the requirements of the DOE framework, which has resulted in the gradual reentry policy discussed above. BPA management continues to actively monitor and take actions in response to the evolving public health threat under its continuity of operations plans.

BPA cannot predict the potential impacts of COVID-19, if any, on its future operations or financial results. If the COVID-19 pandemic continues and efforts to contain it are unsuccessful or disrupt BPA's ability to operate, FCRPS financial results could be adversely impacted.

Additional Information

To see BPA's annual and quarterly reports, go to www.bpa.gov/about/finance/annual-reports

For general information about BPA, go to BPA's home page at www.bpa.gov

For information on Power Services, go to www.bpa.gov/energy-and-services/power

For information on Transmission Services, go to www.bpa.gov/energy-and-services/transmission

Federal Columbia River Power System

Combined Balance Sheets ^(Unaudited)

(Millions of Dollars)

| | As of March 31, 2022 | As of September 30, 2021 |
|--|----------------------------|--------------------------------|
| Assets | | |
| Utility plant and nonfederal generation | | |
| Completed plant | \$ 20,967.7 | \$ 20,758.8 |
| Accumulated depreciation | (7,880.5) | (7,758.6) |
| Net completed plant | 13,087.2 | 13,000.2 |
| Construction work in progress | 1,359.4 | 1,342.8 |
| Net utility plant | 14,446.6 | 14,343.0 |
| Nonfederal generation | 3,503.9 | 3,527.7 |
| Net utility plant and nonfederal generation | 17,950.5 | 17,870.7 |
| Current assets | | |
| Cash and cash equivalents | 1,074.3 | 1,207.9 |
| Short-term investments in U.S. Treasury securities | 750.2 | - |
| Accounts receivable, net of allowance | 30.6 | 18.3 |
| Accrued unbilled revenues | 389.3 | 301.3 |
| Materials and supplies, at average cost | 112.0 | 109.5 |
| Prepaid expenses | 47.4 | 39.5 |
| Total current assets | 2,403.8 | 1,676.5 |
| Other assets | | |
| Regulatory assets | 4,595.0 | 4,781.5 |
| Nonfederal nuclear decommissioning trusts | 520.1 | 515.2 |
| Deferred charges and other | 233.4 | 214.6 |
| Total other assets | 5,348.5 | 5,511.3 |
| Total assets | \$ 25,702.8 | \$ 25,058.5 |

Federal Columbia River Power System

Combined Balance Sheets ^(Unaudited)

(Millions of Dollars)

| | As of March 31, 2022 | As of September 30, 2021 |
|---|----------------------------|--------------------------------|
| Capitalization and Liabilities | | |
| Capitalization and long-term liabilities | | |
| Accumulated net revenues | \$ 5,377.6 | \$ 4,912.6 |
| Debt | | |
| Federal appropriations | 1,613.0 | 1,602.8 |
| Borrowings from U.S. Treasury | 5,318.9 | 5,049.9 |
| Nonfederal debt | 6,910.1 | 6,932.2 |
| Total capitalization and long-term liabilities | 19,219.6 | 18,497.5 |
| | | |
| Commitments and contingencies (See Note 14 to 2021 Audited Financial Statements) | | |
| | | |
| Current liabilities | | |
| Debt | | |
| Borrowings from U.S. Treasury | 603.0 | 579.0 |
| Nonfederal debt | 501.3 | 451.0 |
| Accounts payable and other | 601.5 | 668.7 |
| Total current liabilities | 1,705.8 | 1,698.7 |
| | | |
| Other liabilities | | |
| Regulatory liabilities | 1,540.2 | 1,552.6 |
| IOU exchange benefits | 1,603.1 | 1,722.2 |
| Asset retirement obligations | 948.0 | 929.2 |
| Deferred credits and other | 686.1 | 658.3 |
| Total other liabilities | 4,777.4 | 4,862.3 |
| | | |
| Total capitalization and liabilities | \$ 25,702.8 | \$ 25,058.5 |

Federal Columbia River Power System

Combined Statements of Revenues and Expenses ^(Unaudited)

(Millions of Dollars)

| | Three Months Ended | | Fiscal Year-to-Date Ended | |
|---|--------------------|-----------------|---------------------------|-----------------|
| | March 31, | | March 31, | |
| | 2022 | 2021 | 2022 | 2021 |
| Operating revenues | | | | |
| Sales | \$ 1,200.5 | \$ 985.8 | \$ 2,167.4 | \$ 1,895.1 |
| U.S. Treasury credits | 19.8 | 19.5 | 56.4 | 43.1 |
| Total operating revenues | 1,220.3 | 1,005.3 | 2,223.8 | 1,938.2 |
| Operating expenses | | | | |
| Operations and maintenance | 545.6 | 553.1 | 1,054.9 | 1,054.3 |
| Purchased power | 31.4 | 53.0 | 100.6 | 96.6 |
| Depreciation, amortization and accretion | 210.5 | 207.0 | 420.4 | 414.2 |
| Total operating expenses | 787.5 | 813.1 | 1,575.9 | 1,565.1 |
| Net operating revenues | 432.8 | 192.2 | 647.9 | 373.1 |
| Interest expense and other income, net | | | | |
| Interest expense | 106.0 | 108.4 | 211.8 | 218.0 |
| Allowance for funds used during construction | (8.9) | (7.2) | (15.7) | (14.7) |
| Interest income | (0.7) | (0.4) | (1.0) | (0.8) |
| Other income, net | (2.3) | (12.8) | (12.2) | (21.9) |
| Total interest expense and other income, net | 94.1 | 88.0 | 182.9 | 180.6 |
| Net revenues | \$ 338.7 | \$ 104.2 | \$ 465.0 | \$ 192.5 |

Federal Columbia River Power System

Combined Statements of Cash Flows ^(Unaudited)

(Millions of Dollars)

Fiscal Year-to-Date Ended
March 31,

| | 2022 | 2021 |
|---|-------------------|-----------------|
| Cash flows from operating activities | | |
| Net revenues | \$ 465.0 | \$ 192.5 |
| Adjustments to reconcile net revenues to cash provided by operations: | | |
| Depreciation, amortization and accretion | 420.4 | 414.2 |
| Other | (9.6) | - |
| Changes in: | | |
| Receivables and unbilled revenues | (100.3) | 1.0 |
| Materials and supplies | (2.5) | (2.1) |
| Prepaid expenses | (7.9) | (21.2) |
| Accounts payable and other | (5.2) | 64.4 |
| Regulatory assets and liabilities | (5.6) | 37.3 |
| IOU exchange benefits | (119.1) | (108.4) |
| Nonfederal nuclear decommissioning trusts | (2.6) | (82.8) |
| Other assets and liabilities | 5.2 | 29.1 |
| Net cash provided by operating activities | 637.8 | 524.0 |
| Cash flows from investing activities | | |
| Investment in utility plant, including AFUDC | (321.3) | (294.5) |
| Proceeds from sale of utility plant | 9.8 | - |
| U.S. Treasury securities: | | |
| Purchases | (750.0) | - |
| Deposits to nonfederal nuclear decommissioning trusts | (2.3) | (2.1) |
| Lease-purchase trust funds: | | |
| Deposits to | - | (13.0) |
| Receipts from | - | 14.0 |
| Net cash used for investing activities | (1,063.8) | (295.6) |
| Cash flows from financing activities | | |
| Federal appropriations: | | |
| Proceeds | 10.2 | 13.1 |
| Borrowings from U.S. Treasury: | | |
| Proceeds | 345.0 | 117.0 |
| Repayment | (52.0) | (213.7) |
| Nonfederal debt: | | |
| Repayment | (15.4) | (14.3) |
| Debt extinguishment costs | - | (0.7) |
| Customers: | | |
| Net advances for construction | 11.7 | 10.1 |
| Repayment of funds used for construction | (9.1) | (9.0) |
| Net cash provided by (used for) financing activities | 290.4 | (97.5) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | (135.6) | 130.9 |
| Cash, cash equivalents and restricted cash at beginning of year | 1,218.7 | 857.5 |
| Cash, cash equivalents and restricted cash at end of quarter | \$ 1,083.1 | \$ 988.4 |
| Less: Restricted cash at end of quarter, reported in Deferred charges and other | 8.8 | 10.9 |
| Cash and cash equivalents at end of quarter | \$ 1,074.3 | \$ 977.5 |
| Supplemental disclosures: | | |
| Cash paid for interest, net of amount capitalized | \$ 187.4 | \$ 177.7 |
| Significant noncash investing and financing activities: | | |
| Nonfederal debt increase | \$ 56.1 | \$ 346.6 |
| Nonfederal debt decrease | \$ (12.4) | \$ (203.9) |
| Nonfederal debt cost of issuance | \$ (0.1) | \$ (1.3) |