

Q2 Quarterly Business Review Technical Workshop

May 18, 2020

1:00 p.m. – 3:30 p.m.

WebEx: [Join Meeting](#)

Bridge: (415) 527-5035

Access Code: 909 872 047



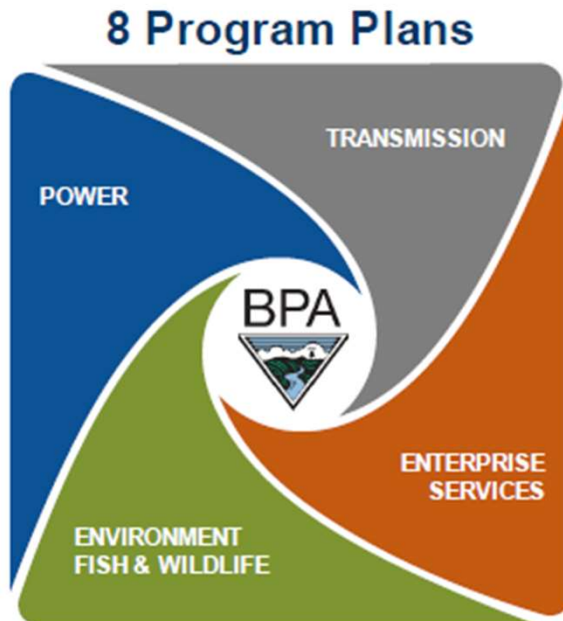
Agenda

Time	Min	Agenda Topic	Presenter
1:00	5	Introduction & Safety Moment	Michelle Manary
1:05	25	Program Plans	Marchelle Watson, Kelly Akowskey
1:30	45	Q2 Forecast Including Income Statement, Capital and Reserves	Zach Mandell, Cheryl Hargin, Karlee Manary, Manny Holowatz, Sheila Dickenson, Jeff Cook & Mike Hull, Nadine Coseo, Damen Bleiler
2:15	15	Financial Reserves Review Action Plan Update	Nadine Coseo, Shelley Egerdahl
2:30	30	Grid Modernization Update	Allie Mace
3:00	30	Q & A Session	All

Program Plans

Marchelle Watson and Kelly Akowskey

Program Plans



Power



- Asset Management Program Plan
- Commercial Activities Program Plan
- Operations Program Plan

Transmission



- Asset Management Program Plan
- Commercial Activities Program Plan
- Operations Program Plan

Enterprise Services



- Enterprise Services Program Plan

Environment, Fish, & Wildlife



- EF&W Program Plan

FY 20 Progress

Objective 1: Functionalize Program Plans

What are we doing?	Why is it important?
<ul style="list-style-type: none"> ■ Integrating program plan content into planning and decision forums ■ Improving Performance management ■ Socialize program plans 	<ul style="list-style-type: none"> ■ Data-driven decision making leads to making effective strategic business choices ■ Greater precision and reliability in decision-making resulting in higher quality decisions ■ Higher probability of achieving intended outcomes

BPA is changing its approach in planning cycles by integrating program plan content.

- For the upcoming IPR process, Power and Transmission re-mapped their costs into program plans that define, link, and measure key elements of the business.
- This approach increased transparency on Agency costs and their impact to the Power and Transmission revenue requirements that are used for rate setting. This strengthened our ability to evaluate and prioritize costs so that spending levels are aligned with strategy.

FY 20 Progress

Objective 2: Increase cost transparency

What are we doing?	Why is it important?
<ul style="list-style-type: none"> ■ Increasing utilization of direct charging ■ Monitor direct charging results ■ Developing reports 	<ul style="list-style-type: none"> ■ Increases cost transparency ■ Increases understanding of costs and cost drivers ■ More informed decision-making

- Historically, specific Enterprise Services’ costs were direct charged to Power and Transmission and the remainder allocated.
- To help establish a better link between costs and cost drivers, beginning in FY20 all costs that are connected to a specific program plan can be direct charged to that program.
- The objective is to increase the amount direct charged to programs and reduce costs that go through allocations.

FY 20 Progress

Objective 2: Increase cost transparency

What are we doing?	Why is it important?
<ul style="list-style-type: none"> ■ Changing from indirect to direct charging ■ Monitor direct charging results <li style="border: 2px solid blue;">■ Developing reports 	<ul style="list-style-type: none"> ■ Increases cost transparency ■ Increases understanding of costs and cost drivers ■ More informed decision-making

Beginning this quarter, Power and Transmission financial reports are presented in Program Plan format.

1	Operating Revenues
2	Sales
3	Other Revenues
4	Inter-Business Unit Revenues
4	Total Operating Revenues
	Operating Expenses
	Integrated Program Review Programs
5	Asset Management
6	Operations
7	Commercial Activities
8	Enterprise Services G&A
9	Undistributed Reduction
10	Sub-Total Integrated Program Review Operating Expenses
	Operating Expenses
	Non-Integrated Program Review Programs
11	Commercial Activities
12	Other Income, Expenses and Adjustments
13	Depreciation & Amortization
14	Sub-Total Non-Integrated Program Review Operating Expenses
15	Total Operating Expenses
16	Net Operating Revenues (Expenses)

Q2 Forecast Including Income Statement, Capital and Reserves

Zach Mandell, Cheryl Hargin, Karlee Manary, Manny Holowatz, Sheila Dickinson, Jeff Cook & Mike Hull, Nadine Coseo, Damen Bleiler

COVID-19 Scenario: FY 20 Q2 End of Year Forecast

The COVID-19 Scenario tests a “bad-case” FY20 outcome in order to provide a point of comparison to the base Q2 Forecast

- **Scenario assumptions:**
 - Current pandemic response level continues past end of FY20
 - Pandemic does not substantially change in severity for the rest of the year
 - Average load losses for Power and Transmission consistent with 2008 financial crisis, which was 3%
 - Natural effects of pandemic only – no assumed management-directed cost cutting
- Only one scenario was run in order to quickly provide analysis in a short time frame
- Analysis produced a single point forecast based on the above assumptions; not a probabilistic analysis using statistical methods
- Represents a bad-case (but not worst-case) pandemic
 - This is not BPA’s expected outcome

COVID-19 Scenario: Power

	a	b	c	d	e
	Power Net Revenue (\$000)	Q2 Forecast	Scenario	Delta	% Delta
1	Revenue	\$ 2,700,200	\$ 2,661,000	\$ (39,200)	-1.5%
2	Expense	\$ 2,574,600	\$ 2,549,600	\$ (25,000)	-0.8%
3	Net Revenue	\$ 125,600	\$ 111,400	\$ (14,200)	
	Power Direct Capital (\$000)	Q2 Forecast	Scenario	Delta	% Delta
4	Bureau of Reclamation	\$ 41,000	\$ 25,800	\$ (15,200)	-37%
5	Corps of Engineers	\$ 163,000	\$ 98,200	\$ (64,800)	-40%
6	F&W	\$ 42,000	\$ 37,000	\$ (5,000)	-12%
7	Power IT	\$ 800	\$ 800	\$ -	0%
8	Total Direct	\$ 246,800	\$ 161,800	\$ (85,000)	-34%

The COVID-19 analysis includes:

- \$39 million PF revenue decrease due to load loss.
- \$25 million in lower expenses primarily due to project delays at the Corps and Reclamation and Energy Efficiency.
- Capital execution reduction of \$85 million.
- Analysis does not capture potential Corps and Reclamation capital to expense shifts

COVID-19 Scenario: Transmission

	a	b	c	d	e
	Transmission Net Revenue (\$000)	Q2 Forecast	Scenario	Delta	% Delta
9	Revenue	\$ 1,083,200	\$ 1,079,500	\$ (3,700)	-0.3%
10	Expense	\$ 1,097,200	\$ 1,145,200	\$ 47,900	4.4%
11	Net Revenue	<u>\$ (14,000)</u>	<u>\$ (65,700)</u>	<u>\$ (51,600)</u>	
	Transmission Direct Capital (\$000)	Q2 Forecast	Scenario	Delta	% Delta
12	Expand	\$ 74,800	\$ 28,900	\$ (45,900)	-61%
13	Sustain	\$ 133,300	\$ 77,100	\$ (56,200)	-42%
14	PFIA	\$ 16,700	\$ 14,700	\$ (2,000)	-12%
15	Non-T Asset Categories*	\$ 23,100	\$ 18,200	\$ (4,900)	-21%
16	Total Direct	<u>\$ 247,900</u>	<u>\$ 138,900</u>	<u>\$ (109,000)</u>	-44%

*Facilities, Fleet, IT, Security, Environment

The COVID-19 analysis includes:

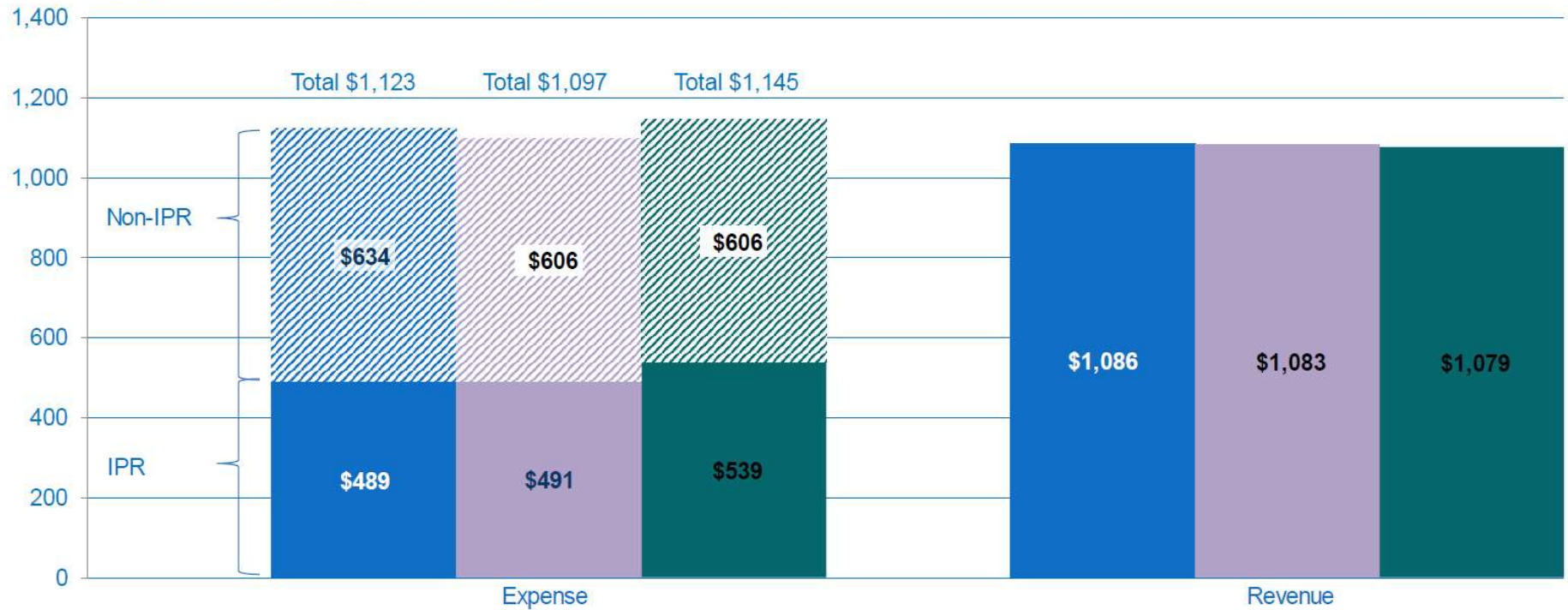
- \$4 million NT revenue decrease due to load loss.
- \$48 million increase in Expenses, consisting of \$18 million in expense reductions offset by \$15 million in direct labor costs and \$50 million in indirect labor costs shifting from capital to expense
- Capital Execution reduction of \$109 million

TRANSMISSION FINANCIAL PERFORMANCE

Total expense and revenue

in millions of dollars

■ BP-20 Rate Case ■ Q2 ■ Covid-19 Scenario



Report ID: 0123FY20	QBR Forecast Analysis: Transmission Services	Data Source: PFMS
Requesting BL: Transmission Business Unit	Program Plan View	Run Date/Time: April 30, 2020 / 09:05
Unit of Measure: \$ Thousands	Through the Month Ended March 31, 2020	% of Year Elapsed = 50%
	Preliminary / Unaudited	

	A	B	C
	FY 2020		FY 2020
	Rate Case	Current EOY Forecast	Current EOY Forecast - Rate Case
Operating Revenues			
1 Sales	\$ 919,467	\$ 935,434	\$ 15,967
2 Other Revenues	43,031	43,528	497
3 Inter-Business Unit Revenues	123,755	104,228	(19,527)
4 Total Operating Revenues	1,086,253	1,083,190	(3,063)
Operating Expenses			
Integrated Program Review Programs			
5 Asset Management	262,974	273,806	10,831
6 Operations	71,098	66,346	(4,752)
7 Commercial Activities	62,078	52,460	(9,617)
8 Enterprise Services G&A	92,528	98,336	5,808
9 Undistributed Reduction	-	-	-
10 Sub-Total Integrated Program Review Operating Expenses	488,678	490,948	2,270
Operating Expenses			
Non-Integrated Program Review Programs			
11 Commercial Activities	128,005	124,690	(3,315)
12 Other Income, Expenses and Adjustments	-	()	()
13 Depreciation & Amortization	342,088	338,530	(3,558)
14 Sub-Total Non-Integrated Program Review Operating Expenses	470,093	463,220	(6,873)
15 Total Operating Expenses	958,771	954,168	(4,603)
16 Net Operating Revenues (Expenses)	127,482	129,022	1,540
Interest expense and other income, net			
17 Interest Expense	183,458	161,037	(22,420)
18 AFUDC	(14,211)	(15,500)	(1,289)
19 Interest Income	(5,078)	(2,525)	2,553
20 Other income, net	-	-	-
21 Total interest expense and other income, net	164,169	143,012	(21,156)
22 Total Expenses	1,122,940	1,097,181	(25,759)
23 Net Revenues (Expenses)	\$ (36,687)	\$ (13,991)	\$ 22,696

<1 Although the forecasts in this report are presented as point estimates, BPA operates a hydro-based system that encounters much uncertainty regarding water supply and wholesale market prices. These uncertainties, among other factors, may result in large range swings +/- impacting the final results in revenues, expenses, and cash reserves.

Transmission Services QBR Analysis: FY 20 Q2 End of Year Forecast

(Note: Variance explanations are for +/- \$2M or greater)

Row 4 – Total Operating Revenues: \$3 million below rate case primarily due to non-renewals of Network Point-to-Point service.

Integrated Program Review Operating Expenses:

Row 5 – Transmission Asset Management: \$11 million above the rate case due to absorbing the \$5 million Supply Chain Cost Management Initiative undistributed reduction put into rate case, increasing the forecast \$8 million for Puget Sound Area Northern Intertie and Mid C work, and decreasing the facilities direct charge forecast which partially offsets these increases.

Row 6 - Transmission Operations: \$5 million below rate case due to Enterprise Services direct charges for Grid Mod forecasted in rate case shifted from this program into the allocated Enterprise Services expense.

Row 7 – Transmission Commercial Activities: \$10 million below rate case due to removing funding for non-wires initiatives, cost shifts to align with program plans which didn't exist in BP-20, and a reduction in both the Enterprise services direct and allocated direct charge forecast reflecting a greater amount of costs coming through to Transmission via the Enterprises Services allocation.

Row 8 – Enterprise Services G&A: \$6 million higher due to a greater portion of the overall Enterprise Services support costs than assumed in rate case, partially offset by a decrease in post retirement benefits.

Transmission Services QBR Analysis: FY 20 Q2 End of Year Forecast

(Note: Variance explanations are for +/- \$2M or greater)

Non-Integrated Program Review Operating Expenses:

Row 11 – Commercial Activities: \$3 million lower reimbursable requests.

Row 13 – Depreciation and Amortization: \$4 million lower than rate case based on actual plant that has been placed into service as of the second quarter and the estimated capital expected to go into service over the remainder of FY20.

Row 21 – Net Interest Expense: \$21 million below rate case due to putting less lease financing in place and slightly less Federal borrowing coupled with lower interest rates than assumed in the rate case.

POWER FINANCIAL PERFORMANCE

Total expense and revenue in millions of dollars



Report ID: 0121FY20 **QBR Forecast Analysis: Power Services** Data Source: PFMS
 Requesting BL: POWER BUSINESS UNIT **Program Plan View** Run Date/Time: April 30,2020 / 09:03
 Unit of measure: \$ Thousands Through the Month Ended March 31, ~~2020~~ Year Elapsed = 50%
 Preliminary / Unaudited

	A	B	C	
	FY 2020		FY 2020	
	Rate Case	Current EOY Forecast	Current EOY Forecast - Rate Case	
Operating Revenues				
1	Gross Sales (excluding bookout adjustment)	\$ 2,472,943	\$ 2,470,499	\$ (2,444)
2	Bookout Adjustment to Sales	-	(23,278)	(23,278)
3	Other Revenues	28,016	31,082	3,066
4	Inter-Business Unit	117,901	117,104	(797)
5	U.S. Treasury Credits	90,850	104,785	13,935
6	Total Operating Revenues	2,709,710	2,700,192	(9,518)
Operating Expenses				
Integrated Program Review Programs				
7	Asset Management	961,496	947,833	(13,663)
8	Operations	124,378	132,952	8,574
9	Commercial Activities	106,852	101,484	(5,368)
10	Enterprise Services G&A	77,436	76,824	(612)
11	Undistributed Reduction	-	-	-
12	Sub-Total Integrated Program Review Operating Expenses	1,270,162	1,259,093	(11,069)
Operating Expenses				
Non-Integrated Program Review Programs				
13	Asset Management	36,708	30,776	(5,932)
14	Operations	351,361	336,405	(14,956)
15	Commercial Activities	214,630	194,616	(20,014)
16	Other Income, Expenses & Adjustments	-	-	-
17	Non-Federal Debt Service <Note 2	-	-	-
18	Depreciation, Amortization & Accretion	518,295	476,350	(41,945)
19	Sub-Total Non-Integrated Program Review Operating Expenses	1,120,993	1,038,147	(82,846)
20	Total Operating Expenses	2,391,155	2,297,240	(93,915)
21	Net Operating Revenues (Expenses)	318,555	402,952	84,398
Interest expense and other income, net				
22	Interest Expense	305,707	308,088	2,382
23	AFUDC	(15,904)	(15,300)	604
24	Interest Income	(13,777)	(10,418)	3,359
25	Other income, net	(5,052)	(5,052)	()
26	Total interest expense and other income, net	270,974	277,319	6,344
27	Total Expenses	2,662,129	2,574,559	(87,571)
27	Net Revenues (Expenses)	\$ 47,580	\$ 125,633	\$ 78,053

<1 Although the forecasts in this report are presented as point estimates, BPA operates a hydro-based system that encounters much uncertainty regarding water supply and wholesale market prices. These uncertainties, among other factors, may result in large range swings +/- impacting the final results in revenues, expenses, and cash reserves.
 <2 In FY20, balances will be reflected in interest expense and amortization line items of the income statement.

Power Services QBR Analysis: FY 20 Q2 End of Year Forecast

(Note: Variance explanations are for +/- \$2M or greater)

Row 6 – Total Operating Revenues: \$10 million lower than the Rate Case due to 4H10c credit that was \$14 million higher than expected as well as the \$30 million Power surcharge that took effect this year. This was offset by a higher than expected Slice True-up credit and lower than expected Power secondary sales due to lower inventory and prices.

Integrated Program Review Operating Expenses:

Row 7 – Asset Management: \$10 million F&W contracting and observed delays in proceeding with seasonal project work.

Row 8 - Operations and Row 9 - Commercial Activities: When BP20 was created Program Plans did not exist therefore there has been a shift of costs between the Program Plans.

Power Services QBR Analysis: FY 20 Q2 End of Year Forecast

(Note: Variance explanations are for +/- \$2M or greater)

Non-Integrated Program Review Operating Expenses:

Row 13 – Asset Management: \$6 million lower than Rate Case to reflect actual Colville Settlement.

Row 14 – Operations: \$15 million lower than Rate Case reflects lower loads and lower 3rd Party GTA wheeling.

Row 15 – Commercial Activities: \$20 million lower than Rate Case due to lower Transmission & Ancillary Services, partially offset by higher Power Purchase expenses due to higher spill conditions

Row 18 – Depreciation, Amortization and Accretion: \$42 million lower than Rate Case is due to the implementation of new accounting treatment for Energy Northwest and other nonfederal assets as discussed at Q1. Rate Case levels were set prior to the new accounting treatment being finalized and as such a Rate Case to actuals difference was created for the BP-20 rate period.

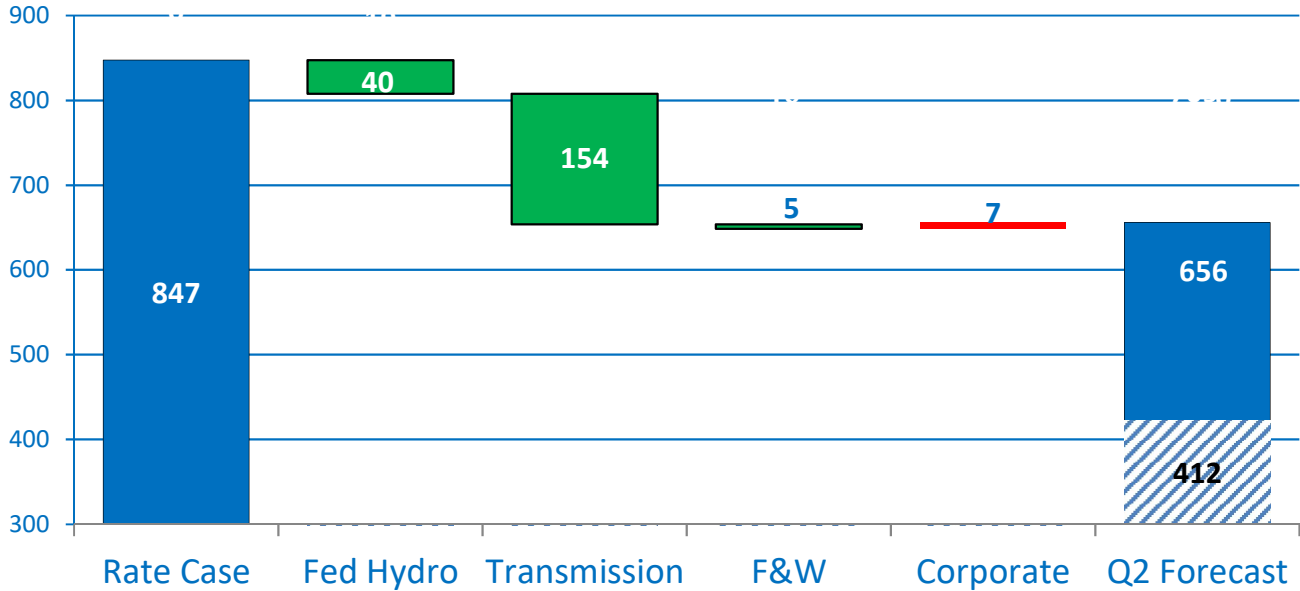
Row 26 - Net interest Expense: \$6 million higher than Rate Case primarily due to higher Non-Federal Interest resulting from the CGS lines of credit and bond issuances coupled with lower interest income due to a lower projected reserves balance and reduced rates.

Row 27 – Total Net Revenues: \$126 million, which is \$78 million greater than Rate Case.

Q2 Capital Drivers

FCRPS Capital

in millions of dollars



Agency Capital Expenditures: FY 20 Performance

Report ID: 0027FY20 **QBR Forecast Analysis: BPA Statement of Capital Expenditures** Data Source: PFMS
 Requesting BL: Corporate Business Unit FYTD Through the Month Ended March 31, 2020 Run Date/Time: April 30,2020 / 03:10
 Unit of Measure: \$Thousands Preliminary Unaudited % of Year Elapsed = 50%

		FY 2020		FY 2020
		Rate Case	Current EOY Forecast	Current EOY Forecast - Rate Case
Transmission Business Unit				
1	MAIN GRID	\$ 2,320	\$ 10,626	\$ 8,306
2	AREA & CUSTOMER SERVICE	73,359	46,219	(27,140)
3	SYSTEM REPLACEMENTS	316,710	220,936	(95,774)
4	UPGRADES & ADDITIONS	58,319	64,517	6,199
5	ENVIRONMENT CAPITAL	6,898	8,364	1,466
	<u>PFIA</u>			
6	MISC. PFIA PROJECTS	14,034	7,399	(6,635)
7	GENERATOR INTERCONNECTION	69,157	16,113	(53,045)
8	SPECTRUM RELOCATION	1,522	947	(575)
9	CORPORATE CAPITAL INDIRECTS, undistributed	()	-	
10	TBL CAPITAL INDIRECTS, undistributed	()	()	
11	LAPSE FACTOR	(13,125)	()	13,125
12	TOTAL Transmission Business Unit	529,194	375,122	(154,073)
Power Business Unit				
13	BUREAU OF RECLAMATION <Note 1	120,893	45,950	(74,943)
14	CORPS OF ENGINEERS <Note 1	133,011	171,250	38,239
15	POWER INFORMATION TECHNOLOGY	3,900	806	(3,094)
16	FISH & WILDLIFE <Note 2	47,266	42,000	(5,266)
17	TOTAL Power Business Unit	305,070	260,006	(45,064)
Corporate Business Unit				
18	CORPORATE PROJECTS	13,200	20,587	7,387
19	TOTAL Corporate Business Unit	13,200	20,587	7,387
20	TOTAL BPA Capital Expenditures	\$ 847,465	\$ 655,715	\$ (191,750)

< 1 Excludes projects funded by federal appropriations.
 < 2 Amounts are reported as regulatory assets and not utility plant

Agency Capital Expenditures: FY20 Performance

(Note: Variance explanations are for +/- \$2M or greater)

Transmission Business Unit

Transmission is \$154 million below rate case due to a shift in Transmission's Sustain and Expand Program prioritizations in FY18. Analysis revealed BPA's need to focus on the Sustain Program was required in order to maintain the reliability of the Grid. This resulted in a change to the mix and size of projects & their corresponding demand for resources. A Sustain-focused program requires a larger amount of resources. Due to staffing changes limitations, Transmission reduced their Start of Year (SOY) Budget to what they believed to be an accurate reflection of what could be delivered.

Row 1 – Main Grid: \$8 million above rate case, but expected through budgeting. Shift in strategy resulted in a variance.

Row 2 – Area and Customer Service: \$27 million below rate case due to a shift to more Sustain projects.

Row 3 – System Replacements: \$98 million less than rate case due mainly to limited resources needed for Sustain projects.

Row 4 – Upgrades and additions: \$11 million above rate case, but expected due to more resources moving to the Sustain program.

Rows 6-8 – Projects Funded in Advance (PFIA): \$57 million less than rate case due to a change in strategy above. This was budgeted for a reduced amount at SOY and currently on track.

Power Business Unit

Row 13 – Bureau of Reclamation: \$75 million below rate case due to Asset Investment Excellence initiative, projects were delayed or cancelled to prioritize other investments.

Row 14 – Corps of Engineers: \$38 million above rate case due to Asset Investment Excellence initiative, projects were prioritized and pulled forward.

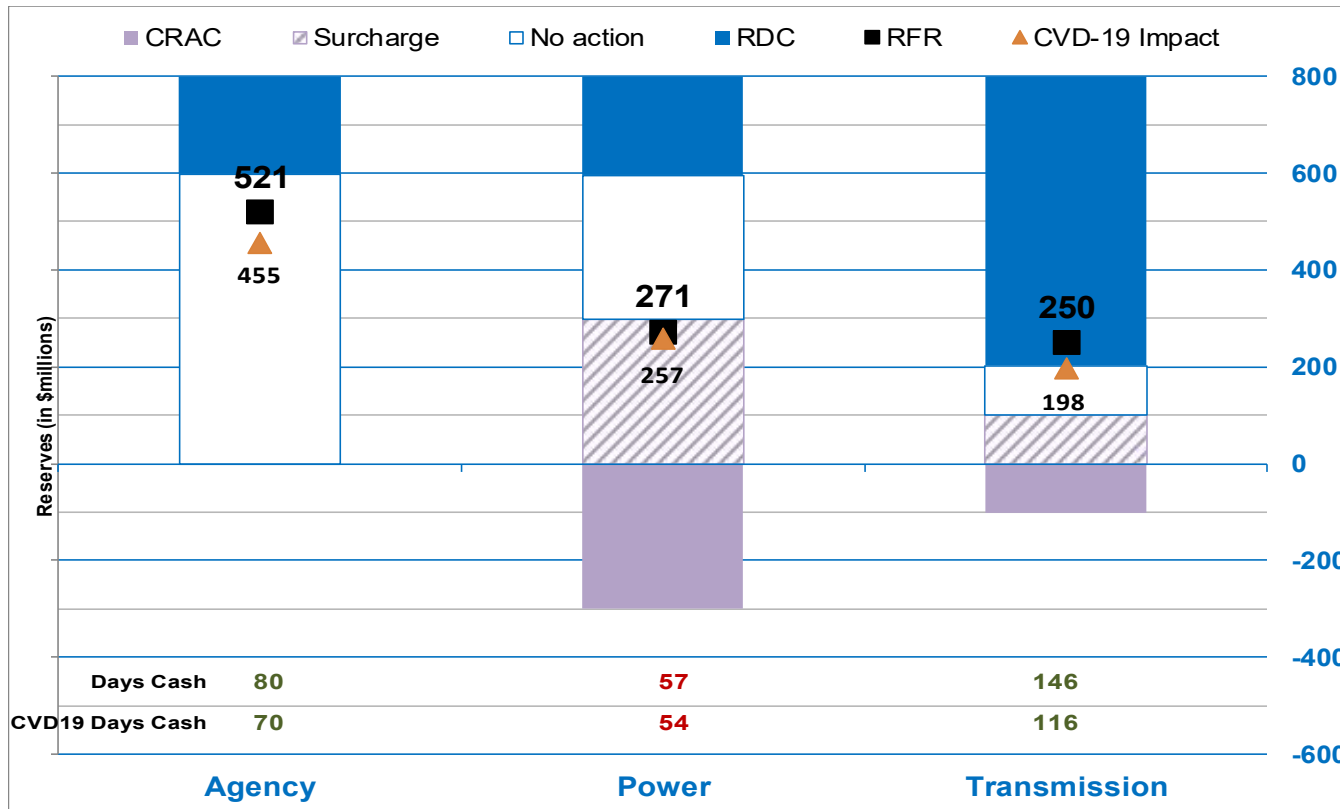
Row 15 – Power IT: \$3 million below rate case due to project prioritization resulting in EE tracking and reporting being the only Power specific IT project moving forward.

Row 16 – Fish and Wildlife: \$5 million below rate case due to expected delay of qualified land acquisitions.

Corporate Business Unit

Row 18 – Corporate IT projects: \$7 million above rate case due to project prioritization of new customer billing and enterprise business system disaster recovery projects and updated project estimates.

Rate Triggers Forecast – FY20 EOY



Power Crosswalk – Key Drivers

PS FY20 EOY Reserves for Risk (RFR) is forecasted to be \$271M, which is ~\$50M less than the rate case forecast of \$321M. Key drivers:

- The BP-20 Rate Case assumed PS ended FY19 with RFR = \$288M, but PS ended FY19 with \$203M, resulting in \$85M less in RFR heading into FY20 than assumed in the rate case.
- FY20 Driver: The Q2 Net Revenue forecast is \$78M higher than the rate case projection.
 - Lower operating expenses due to lower Transmission and Ancillary Services expense, lower Fish and Wildlife expenses, and **lower Depreciation/Amortization**, offset by higher Power Purchases.
 - Depreciation/Amortization is lower by \$42M, but is non-cash.

Power Crosswalk	
Q2 FY20 EOY RFR Forecast	271
BP-20 RFR Forecast	321
Delta	<u>(\$50)</u>
<u>Explain the (\$50)m Delta</u>	
FY20 SOY RFR Beg Bal Delta from RC	(85)
Plus: Increase in Net Revenues	78
Minus: Non-Cash Portion of Net Revenues	(42)
Plus: Cash and Booking Timing	4
Less: Miscellaneous	(5)
	<u>(\$50)</u>

Transmission Crosswalk – Key Drivers

TS FY20 EOY Reserves for Risk (RFR) is forecasted to be \$250M, which is ~\$102M more than the rate case forecast of \$148M. Key drivers:

- The BP-20 Rate Case assumed TS ended FY19 with RFR = \$207M, but TS ended FY19 with \$281M, resulting in \$75M more in RFR heading into FY20 than assumed in the rate case.
- FY20 Drivers: The Q2 Net Revenue forecast and other cash receipts.
 - Q2 NR forecast is \$23M higher than rate case primarily due to decreased operating expenses: Interest Expense lower by \$21M and Depreciation/Amortization (non-cash) lower by \$4M.
 - \$10M cash receipt from a customer dispute not included in the rate case.

Transmission Crosswalk	
Q2 FY20 EOY RFR Forecast	250
BP-20 RFR Forecast	148
Delta	\$102
<u>Explain the \$102m Delta</u>	
FY20 SOY RFR Beg Bal Delta from RC	75
Plus: Increase in Net Revenues	23
Minus: Non-Cash Portion of Net Revenues	(4)
Plus: Cash and Booking Timing	10
Less: Miscellaneous	(3)
	\$102

Financial Reserves Review Action Plan Update

Nadine Coseo and Shelley Egerdahl

Process Improvements Updates

Risk Informed Financial Process Review (RIFPR) Updates

- Reserves Forecast - High level process map and input source documentation complete
- Revenue Requirement: Detailed process map and input source documentation complete
- Next Steps - Process mapping of SOY has begun

BU Cash Split Action Plan Update

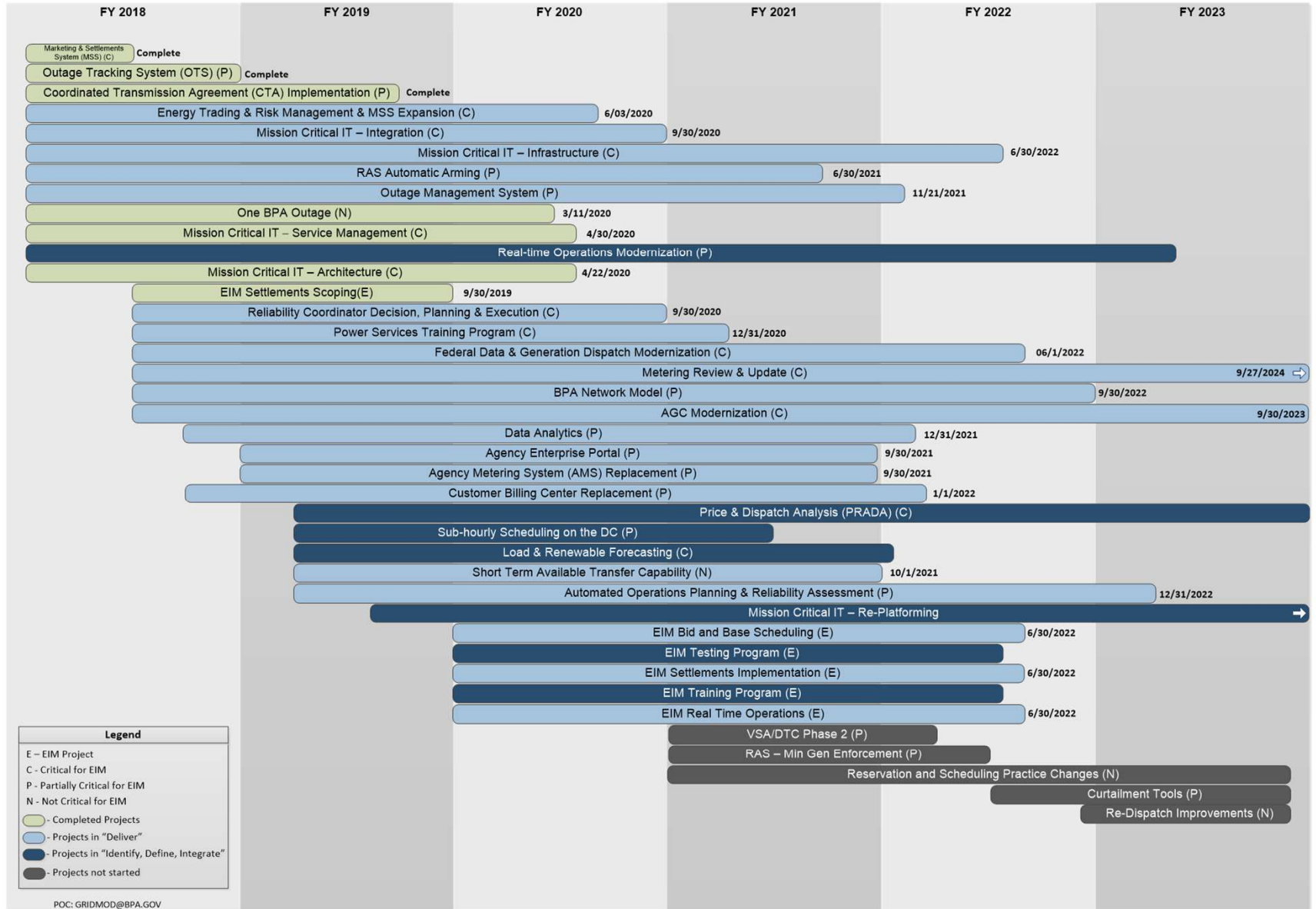
- Controls established to validate output continue to be run periodically, as planned.
- Documentation of the model, standard operating procedures and policy are well underway.
- The action plan is on track to be completed within established timeframe.

Grid Modernization Update

Allie Mace

Grid Modernization Roadmap

FY20 Q3
Updated as of 04/30/2020 – Subject To Change



POC: GRIDMOD@BPA.GOV

GM Progress Metric



87%

- 87% of milestones for projects in deliver are on-track or completed.
- A milestone identifies the completion of significant events and/or key decisions associated with the grid modernization project. Examples include (but are not limited to) a formal project kickoff, RFO release dates, “go-live” dates for new software, targets for completing training for new processes, and project conclusion.
- **Status: Green**

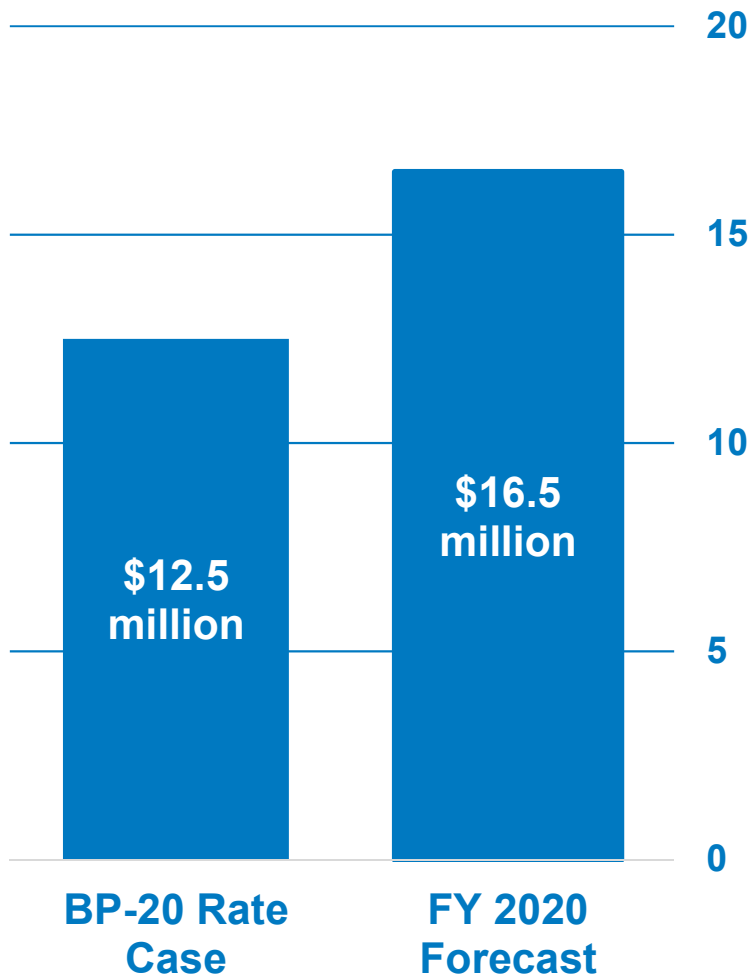
GM Finance Metric



40%

- 40% of the FY 2020 IPR expense budget has been spent at the close of the second quarter for projects in deliver.
- This is the equivalent of \$3.5 million.
- **Status: Green**

GM FY 2020 Spending



- The timing of projects moving to deliver has a significant impact on spending.
- BPA anticipates needing up to \$4 million more than what was allocated in BP-20 due to the timing of projects.
- The official Q2 forecast reflects a total need of \$16.5 million.

Project Spotlights

- **One BPA Outage**
 - Completed in March 2020.
 - Provides a comprehensive, cross-agency solution to planning and executing outages.
- **Agency Metering System Replacement (AMS) and Customer Billing Center Replacement (CBC)**
 - AMS implements a new system that will meet requirements for short and long-term meter data collection, meter data management, event tracking and reporting.
 - CBC replaces the existing aging system and offers an opportunity to streamline the billing process to better serve customers.

Project Spotlights

- **Mission Critical Information Technology**
 - Modernize control center systems in order to improve their effectiveness and efficiencies to better position BPA to participate in existing and emerging markets.
- **MCIT Architecture**
 - Completed in April 2020.
 - Establishes a capability that will apply foundational principles and design in BPA's IT processes and systems to meet business needs.
 - Reduces software architecture complexity and redundant infrastructure.

EIM Implementation

Partially Critical for EIM

- Agency Enterprise Portal
- Agency Metering System Replacement
- Automated Operations Planning and Reliability Assessment
- BPA Network Model
- Coordinated Transmission Agreement Implementation
- Customer Billing Center Replacement
- Data Analytics
- MCIT Re-platforming
- Outage Management System
- Outage Tracking System
- Real-time Operations Modernization
- Remedial Action Scheme Automatic Arming
- Sub-hourly Scheduling on the DC Intertie

Critical for EIM

- Automatic Generation Control Modernization
- Energy Trading and Risk Management and MSS Expansion
- Federal Data and Generation Dispatch Modernization
- Load and Renewable Forecasting
- Marketing and Settlements System
- MCIT Architecture
- MCIT Infrastructure
- MCIT Integration
- MCIT Service Management
- Metering Review and Update
- Power Services Training Program
- Price and Dispatch Analysis
- Reliability Coordinator Decision, Planning and Execution

EIM-Specific Project

- EIM Bid and Base Scheduling
- EIM Real-Time Operations
- EIM Settlements Implementation
- EIM Settlements Scoping
- EIM Testing Program
- EIM Training Program

More Information

On grid modernization:

www.bpa.gov/goto/gridmodernization

On EIM:

www.bpa.gov/goto/eim

Q & A Session

Appendix

Slice Reporting Composite Cost Pool Review Forecast of Annual Slice True-Up Adjustment

Q2 Forecast of FY 2020 Slice True-Up Adjustment

	FY 2020 Forecast \$ in thousands
February 11, 2020 First Quarter Technical Workshop	\$(4,524)*
May 18, 2020 Second Quarter Technical Workshop	\$(10,111)*
August 13, 2020 Third Quarter Technical Workshop	
November 17, 2020 Fourth Quarter Technical Workshop	

*Negative = Credit; Positive = Charge

Summary of Differences From Q2 Forecast to FY 20 (BP-20)

#		Composite Cost Pool True-Up Table Reference ^A	QTR2 ^B – Rate Case \$ in thousands
1	Total Expenses	Row 95	\$(80,466)
2	Total Revenue Credits	Rows 113 + 122	\$3,508
3	Minimum Required Net Revenue	Row 144	\$41,941
4	TOTAL Composite Cost Pool (1 - 2 + 3) \$(80,466) - \$3,508 + \$41,941 = (42,032)	Row 149	\$(42,032)
5	TOTAL in line 4 divided by <u>0.9451467</u> sum of TOCAs \$(42,032)/ <u>0.9451467</u> = \$(44,471)	Row 151	\$(44,471)
6	QTR Forecast of FY 20 True-up Adjustment 22.7358 percent of Total in line 5 0.227358 * \$(44,471) = \$(10,111)	Row 152	\$(10,111)

FY20 Impacts of Debt Management Actions

		A	B	C	D
<u>FY20 Impacts of Acceleration of Debt</u>					
#	Description	FY20 Q2 QBR	FY20 Rate Case ⁺	CCP	Delta from the FY20 rate case
1	MRNR Section of Composite Cost Pool Table				\$ -
2	Principal Payment of Federal Debt				\$ -
3	2020 Regional Cooperation Debt (RCD)	\$ 18,803,026	\$ 21,148,026		\$ 2,345,000
4	2020 Debt Service Reassignment (DSR)	\$ 1,506,974	\$ 1,506,974		\$ -
5	Prepay	\$ -	\$ -		\$ -
6	Energy Northwest's Line Of Credit (LOC)	\$ -	\$ -		\$ -
7	Rate Case Scheduled Base Power Principal	\$ 151,000,000	\$ 151,000,000		\$ -
8	Total Principal Payment of Fed Debt	\$ 171,310,000	\$ 173,655,000	row 125	\$ 2,345,000
					\$ -
9	Repayment of Non-Federal Obligations	\$ 227,000,000	\$ 227,000,000	row 126	\$ -
					\$ -
10	Customer Proceeds	\$ -	\$ -	row 134	\$ -
11	Non-Cash Expenses	\$ -	\$ -	row 133	\$ -
12	Nonfederal Bond Principal Payment	\$ 41,581,000	\$ 41,581,000	row 127	\$ -

Composite Cost Pool Interest Credit

Allocation of Interest Earned on the Bonneville Fund		<u>Q2 2020</u>
(\$ in thousands)		
1	Fiscal Year Reserves Balance	570,255
2	Adjustments for pre-2002 Items	<u>16,341</u>
3	Reserves for Composite Cost Pool (Line 1 + Line 2)	586,596
4	Composite Interest Rate	0.42%
5	Composite Interest Credit	(2,445)
6	Prepay Offset Credit	0
7	Total Interest Credit for Power Services	(1,600)
8	Non-Slice Interest Credit (Line 7 – (Line 5 + Line 6))	845

Net Interest Expense in Slice True-Up Forecast

	FY20 Rate Case <u>(\$ in thousands)</u>	Q2 Forecast <u>(\$ in thousands)</u>
• Federal Appropriation	44,686	45,791
• Capitalization Adjustment	(45,937)	(45,937)
• Borrowings from US Treasury	61,157	58,896
• Prepay Interest Expense	9,826	9,826
• Interest Expense	69,733	68,577
• AFUDC	(15,904)	(15,300)
• Interest Income (composite)	(13,777)	(2,445)
• Prepay Offset Credit	(0)	(0)
• Total Net Interest Expense	40,052	50,832

Proposed Schedule for Slice True-Up Adjustment for Composite Cost Pool True-Up Table and Cost Verification Process

Dates	Agenda
February 11, 2020	First Quarter Technical Workshop
May 18, 2020	Second Quarter Technical Workshop
TBD August, 2020	Third Quarter Technical Workshop
October 2020	BPA External CPA firm conducting audit for fiscal year end
Mid-October 2020	Recording the Fiscal Year End Slice True-Up Adjustment Accrual
End of October	Final audited actual financial data is expected to be available
November 13, 2020	Mail notification to Slice Customers of the Slice True-Up Adjustment for the Composite Cost Pool
November 17, 2020	BPA to post Composite Cost Pool True-Up Table containing actual values and the Slice True-Up Adjustment
TBD November, 2020	Fourth Quarter Business Review and Technical Workshop Meeting Provide Slice True-Up Adjustment for the Composite Cost Pool (this is the number posted in the financial system; the final actual number may be different)
December 10, 2020	Deadline for customers to submit questions about actual line items in the Composite Cost Pool True-Up Table with the Slice True-Up Adjustment for inclusion in the Agreed Upon Procedures (AUPs) Performed by BPA external CPA firm (customers have 15 business days following the BPA posting of Composite Cost Pool Table containing actual values and the Slice True-Up Adjustment)
December 24, 2020	BPA posts a response to customer questions (Attachment A does not specify an exact date)
January 11, 2021	Customer comments are due on the list of tasks (The deadline can not exceed 10 days from BPA posting)
February 2, 2021	BPA finalizes list of questions about actual lines items in the Composite Cost Pool True-Up Table for the AUPs

COMPOSITE COST POOL TRUE-UP TABLE

	Q2 (\$000)	Rate Case forecast for FY 2020 (\$000)	Q2- Rate Case Difference (\$000)
1 Operating Expenses			
2 Power System Generation Resources			
3 Operating Generation			
4 COLUMBIA GENERATING STATION (WNP-2)	\$ 263,735	\$ 262,471	\$ 1,264
5 BUREAU OF RECLAMATION	\$ 153,609	\$ 153,609	\$ -
6 CORPS OF ENGINEERS	\$ 252,557	\$ 252,557	\$ -
7 LONG-TERM CONTRACT GENERATING PROJECTS	\$ 11,703	\$ 12,709	\$ (1,006)
8 Sub-Total	\$ 681,604	\$ 681,345	\$ 258
9 Operating Generation Settlement Payment and Other Payments			
10 COLVILLE GENERATION SETTLEMENT	\$ 17,586	\$ 22,997	\$ (5,411)
11 SPOKANE LEGISLATION PAYMENT	\$ -	\$ -	\$ -
12 Sub-Total	\$ 17,586	\$ 22,997	\$ (5,411)
13 Non-Operating Generation			
14 TROJAN DECOMMISSIONING	\$ 935	\$ 1,200	\$ (265)
15 WNP-1&3 DECOMMISSIONING	\$ 1,182	\$ 431	\$ 751
16 Sub-Total	\$ 2,117	\$ 1,631	\$ 486
17 Gross Contracted Power Purchases			
18 PNCA HEADWATER BENEFITS	\$ 2,909	\$ 3,100	\$ (191)
19 OTHER POWER PURCHASES (omit, except Designated Obligations or Purchases)	\$ (19,631)	\$ -	\$ (19,631)
20 Sub-Total	\$ (16,722)	\$ 3,100	\$ (19,822)
21 Bookout Adjustment to Power Purchases (omit)			
22 Augmentation Power Purchases (omit - calculated below)			
23 AUGMENTATION POWER PURCHASES	\$ -	\$ -	\$ -
24 Sub-Total	\$ -	\$ -	\$ -
25 Exchanges and Settlements			
26 RESIDENTIAL EXCHANGE PROGRAM (REP)	\$ 249,767	\$ 249,767	\$ 0
27 OTHER SETTLEMENTS	\$ -	\$ -	\$ -
28 Sub-Total	\$ 249,767	\$ 249,767	\$ 0
29 Renewable Generation			
30 RENEWABLES (excludes Kill)	\$ 28,913	\$ 26,475	\$ 2,439
31 Sub-Total	\$ 28,913	\$ 26,475	\$ 2,439
32 Generation Conservation			
33 CONSERVATION ACQUISITION	\$ 71,690	\$ 67,000	\$ 4,690
34 CONSERVATION INFRASTRUCTURE	\$ 23,311	\$ 27,296	\$ (3,985)
35 LOW INCOME WEATHERIZATION & TRIBAL	\$ 5,739	\$ 5,739	\$ -
36 ENERGY EFFICIENCY DEVELOPMENT	\$ 8,000	\$ 8,000	\$ -
37 DR & SMART GRID	\$ 276	\$ 855	\$ (579)
38 LEGACY	\$ 590	\$ 590	\$ -
39 MARKET TRANSFORMATION	\$ 12,090	\$ 12,050	\$ 40
40 Sub-Total	\$ 121,696	\$ 121,530	\$ 166
41 Power System Generation Sub-Total	\$ 1,084,961	\$ 1,106,845	\$ (21,884)

COMPOSITE COST POOL TRUE-UP TABLE				
		Q2	forecast for FY	Q2- Rate Case
		(\$000)	2020	Difference
			(\$000)	(\$000)
42				
43	Power Non-Generation Operations			
44	Power Services System Operations			
45	EFFICIENCIES PROGRAM	\$ -	\$ -	\$ -
46	INFORMATION TECHNOLOGY	\$ -	\$ 6,714	\$ (6,714)
47	GENERATION PROJECT COORDINATION	\$ 6,444	\$ 6,059	\$ 385
48	ASSET MGMT ENTERPRISE SVCS	\$ 512	\$ -	\$ 512
49	SLICE IMPLEMENTATION	\$ 900	\$ 555	\$ 345
50	Sub-Total	\$ 7,856	\$ 13,329	\$ (5,472)
51	Power Services Scheduling			
52	OPERATIONS SCHEDULING	\$ 8,769	\$ 8,806	\$ (38)
53	OPERATIONS PLANNING	\$ 8,105	\$ 5,643	\$ 2,462
54	Sub-Total	\$ 16,874	\$ 14,449	\$ 2,425
55	Power Services Marketing and Business Support			
56	COMMERCIAL ENTERPRISE SVCS	\$ 5,460	\$ -	\$ 5,460
57	OPERATIONS ENTERPRISE SVCS	\$ 4,068	\$ -	\$ 4,068
58	POWER R&D	\$ 2,527	\$ 2,662	\$ (135)
59	SALES & SUPPORT	\$ 11,839	\$ 23,191	\$ (11,352)
60	STRATEGY, FINANCE & RISK MGMT (REP support costs included here)	\$ 20,712	\$ 16,905	\$ 3,807
61	EXECUTIVE AND ADMINISTRATIVE SERVICES (REP support costs included here)	\$ 3,584	\$ 3,880	\$ (296)
62	CONSERVATION SUPPORT	\$ 8,210	\$ 8,399	\$ (189)
63	Sub-Total	\$ 56,401	\$ 55,038	\$ 1,363
64	Power Non-Generation Operations Sub-Total	\$ 81,131	\$ 82,815	\$ (1,684)
65	Power Services Transmission Acquisition and Ancillary Services			
66	TRANSMISSION and ANCILLARY Services - System Obligations	\$ 32,028	\$ 32,028	\$ -
67	3RD PARTY GTA WHEELING	\$ 80,000	\$ 96,200	\$ (16,200)
68	POWER 3RD PARTY TRANS & ANCILLARY SVCS (Composite Cost)	\$ 2,338	\$ 2,338	\$ 0
69	TRANS ACQ GENERATION INTEGRATION	\$ 13,577	\$ 13,577	\$ -
70	TELEMETERING/EQUIP REPLACEMT	\$ -	\$ -	\$ -
71	Power Services Trans Acquisition and Ancillary Serv Sub-Total	\$ 127,943	\$ 144,143	\$ (16,200)
72	Fish and Wildlife/USF&W/Planning Council/Environmental Req			
73	Fish & Wildlife	\$ 239,603	\$ 249,603	\$ (10,000)
74	USF&W Lower Snake Hatcheries	\$ 30,483	\$ 30,483	\$ -
75	Planning Council	\$ 11,522	\$ 11,725	\$ (203)
76	Environmental Requirements	\$ -	\$ -	\$ -
77	Fish and Wildlife/USF&W/Planning Council Sub-Total	\$ 281,608	\$ 291,811	\$ (10,203)
78	BPA Internal Support			
79	Additional Post-Retirement Contribution	\$ 17,289	\$ 19,577	\$ (2,287)
80	Agency Services G&A (excludes direct project support)	\$ 59,534	\$ 57,859	\$ 1,675
81	BPA Internal Support Sub-Total	\$ 76,824	\$ 77,436	\$ (612)
82	Bad Debt Expense	\$ -	\$ -	\$ -
83	Other Income, Expenses, Adjustments	\$ -	\$ -	\$ -
84	Depreciation	\$ 140,770	\$ 138,968	\$ 1,802
85	Amortization	\$ 302,460	\$ 345,589	\$ (43,129)
86	Accretion (CGS)	\$ 33,120	\$ 33,738	\$ (618)
87	Total Operating Expenses	\$ 2,128,817	\$ 2,221,345	\$ (92,528)
88				

COMPOSITE COST POOL TRUE-UP TABLE

		Q2 (\$000)	forecast for FY 2020 (\$000)	Q2- Rate Case Difference (\$000)
89	Other Expenses and (Income)			
90	Net Interest Expense	\$ 276,474	\$ 270,654	\$ 5,820
91	LDD	\$ 39,493	\$ 38,505	\$ 987
92	Irrigation Rate Discount Costs	\$ 20,880	\$ 20,905	\$ (24)
93	Other Expense and (Income)	\$ -	\$ (5,279)	\$ 5,279
94	Sub-Total	\$ 336,847	\$ 324,785	\$ 12,062
95	Total Expenses	\$ 2,465,664	\$ 2,546,130	\$ (80,466)
96				
97	Revenue Credits			
98	Generation Inputs for Ancillary, Control Area, and Other Services Revenues	\$ 117,104	\$ 119,815	\$ (2,711)
99	Downstream Benefits and Pumping Power revenues	\$ 20,693	\$ 19,364	\$ 1,329
100	4(h)(10)(c) credit	\$ 100,185	\$ 86,250	\$ 13,935
101	Colville and Spokane Settlements	\$ 4,600	\$ 4,600	\$ 0
102	Energy Efficiency Revenues	\$ 8,000	\$ 8,000	\$ -
103	PF Load Forecast Deviation Liquidated Damages	\$ 1,493	\$ 9,499	\$ (8,006)
104	Miscellaneous revenues	\$ 11,648	\$ 12,362	\$ (714)
105	Renewable Energy Certificates	\$ -	\$ -	\$ -
106	Net Revenues from other Designated BPA System Obligations (Upper Bak)	\$ 352	\$ 353	\$ (1)
107	RSS Revenues	\$ 2,728	\$ 2,728	\$ -
108	Firm Surplus and Secondary Adjustment (from Unused RHWM)	\$ 68,746	\$ 68,746	\$ -
109	Balancing Augmentation Adjustment	\$ 1,213	\$ 1,213	\$ -
110	Transmission Loss Adjustment	\$ 30,066	\$ 30,066	\$ -
111	Tier 2 Rate Adjustment	\$ 510	\$ 510	\$ -
112	NR Revenues	\$ 1	\$ 1	\$ (0)
113	Total Revenue Credits	\$ 367,339	\$ 363,507	\$ 3,832
114				
115	Augmentation Costs (not subject to True-Up)			
116	Tier 1 Augmentation Resources (includes Augmentation RSS and Augmentation	\$ 12,367	\$ 12,367	\$ -
117	Augmentation Purchases	\$ -	\$ -	\$ -
118	Total Augmentation Costs	\$ 12,367	\$ 12,367	\$ -
119				
120	DSI Revenue Credit			
121	Revenues 12 aMW @ IP rate	\$ 3,979	\$ 4,303	\$ (324)
122	Total DSI revenues	\$ 3,979	\$ 4,303	\$ (324)
123				
124	Minimum Required Net Revenue Calculation			
125	Principal Payment of Fed Debt for Power	\$ 171,310	\$ 173,072	\$ (1,762)
126	Repayment of Non-Federal Obligations (EN Line of Credit)	\$ 227,000	\$ 227,000	\$ -
127	Repayment of Non-Federal Obligations (CGS, WNP1, WNP3, N. Wasco, Cowlitz F	\$ 43,340	\$ 41,581	\$ 1,759
128	Irrigation assistance	\$ 24,331	\$ 24,331	\$ -
129	Sub-Total	\$ 465,981	\$ 465,984	\$ (3)

COMPOSITE COST POOL TRUE-UP TABLE

		Q2 (\$000)	Rate Case forecast for FY 2020 (\$000)	Q2- Rate Case Difference (\$000)
130	Depreciation	\$ 140,770	\$ 138,968	\$ 1,802
131	Amortization	\$ 302,460	\$ 345,589	\$ (43,129)
132	Accretion	\$ 33,120	\$ 33,738	
133	Capitalization Adjustment	\$ (45,937)	\$ (45,937)	\$ -
134	Non-Cash Expenses	\$ -	\$ -	\$ -
135	Customer Proceeds	\$ -	\$ -	\$ -
136	Cash freed up by DSR refinancing	\$ 16,590	\$ 16,590	\$ -
137	Prepay Revenue Credits	\$ (30,600)	\$ (30,600)	\$ -
138	Non-Federal Interest (Prepay)	\$ 9,826	\$ 9,826	\$ -
139	Contribution to decommissioning trust fund	\$ (4,100)	\$ (4,100)	\$ -
140	Gains/losses on decommissioning trust fund	\$ (5,052)	\$ (5,052)	\$ -
141	Interest earned on decommissioning trust fund	\$ (8,818)	\$ (8,818)	\$ -
142	Sub-Total	\$ 408,260	\$ 450,204	\$ (41,945)
143	Principal Payment of Fed Debt plus Irrigation assistance exceeds non cash ex	\$ 57,721	\$ 15,780	\$ 41,941
144	Minimum Required Net Revenues	\$ 57,721	\$ 15,780	\$ 41,941
145				
146	Annual Composite Cost Pool (Amounts for each FY)	\$ 2,164,434	\$ 2,206,466	\$ (42,032)
147				
148	SLICE TRUE-UP ADJUSTMENT CALCULATION FOR COMPOSITE COST POOL			
149	TRUE-UP AMOUNT (Diff. between Rate Case and Forecast)	(42,032)		
150	Sum of TOCAs	0.9451467		
151	Adjustment of True-Up Amount when actual TOCAs < 100 percent	(44,471)		
152	TRUE-UP ADJUSTMENT CHARGE BILLED (22.7358 percent)	(10,111)		

Financial Disclosures

This information has been made publicly available by BPA on May 15, 2020 and does not contain Agency-approved Financial Information.