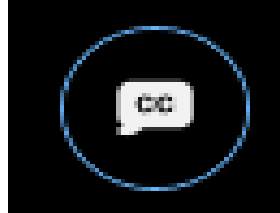


Webex Accessibility tools

To enable Closed Captions

Select the **CC icon** in the lower-left of the WebEx screen

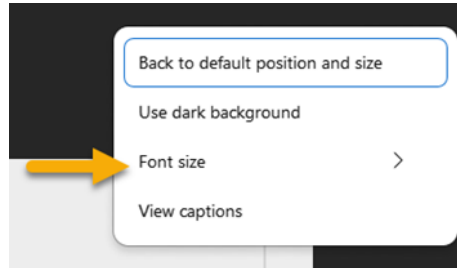


Note: CC is set individually by each person who wants to enable them.

Change font size

Select the **ellipsis** in the lower right

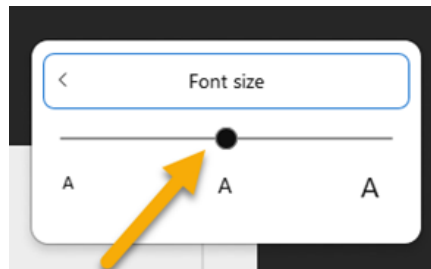
2



Select **font size**

Use the slider to select the desired size

3



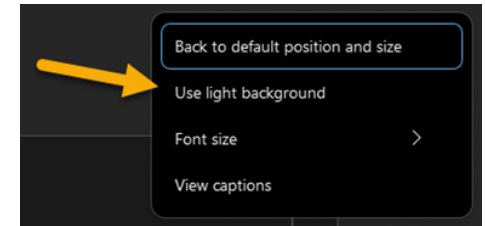
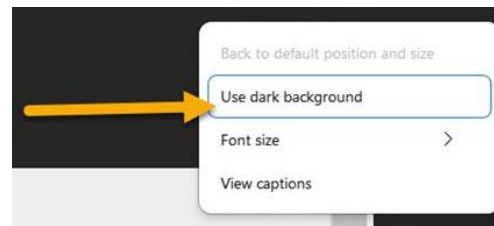
Change background contrast

1. Select the **ellipsis** in the lower right
2. Select the **dark or light background**

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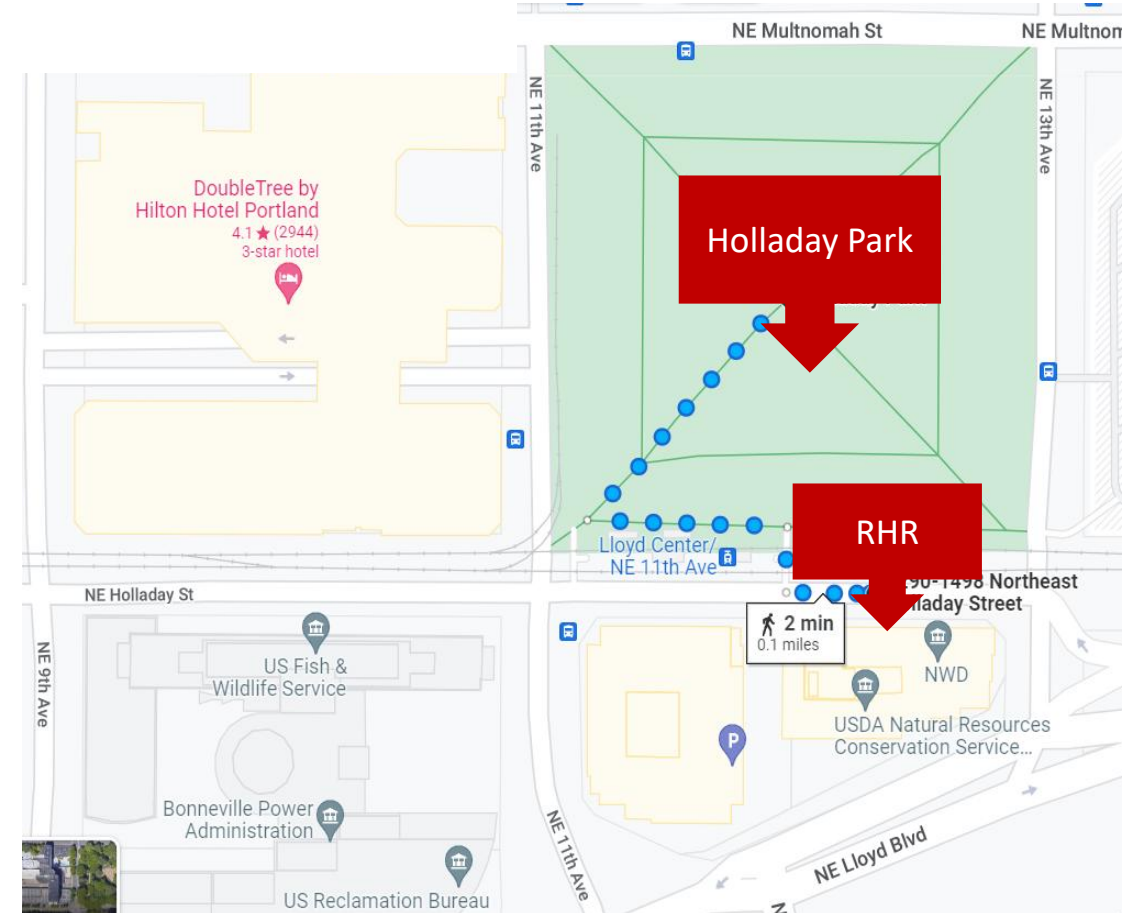


**2026 Risk Mitigation & Financial
Policies Refresh
Alternatives Discussion Workshop
October 20, 2026**



Safety Moment

- The Rates Hearing Room has two exits.
- In the event an alarm sounds, please meet at Holladay Park across the street.



Webex Participant Guidelines

- **Chat & Muting:** The Webex chat feature and self-unmuting are disabled for attendees.
- **Asking Questions via Slido:** Please submit your questions using Slido. A co-host will moderate all submissions and post publicly appropriate content to the group.
- **Asking Questions via Webex (Microphone):** To speak, use the "Raise Hand" feature. Keep your hand raised until a co-host calls on you and unmutes your line.
- **Addressing Feedback:** Presenters will pause periodically to address Slido questions and raised hands in the order they were received.
- **Introductions:** When unmuted, please state your name and organization before sharing your comment or question.

Webex controls:



Today's Agenda

Start Time	End Time	Topic	Presenter(s)
9:00 AM	9:15 AM	Welcome, Introduction & Overview	Nadine Coseo
9:15 AM	9:20 AM	Workshop Objectives	Nell Burns
9:20 AM	12:00 AM	Alternative Discussion: Financial Reserves Policy & Rate Setting Practices for Liquidity Risk	Damen Bleiler
12:00 PM	1:00 PM	L U N C H	
1:00 PM	2:00 PM	Cost Management – Draft Program Language	Zach Mandell
2:00 AM	2:05 PM	Meeting Close	Nell Burns

Note: Start and end times are approximate.

Workshop Objectives

To facilitate a collaborative review and discussion of the proposed **alternatives** and **updates** under consideration.



Workshop Roles & Expectations



Bonneville: Provide open and inclusive opportunities for discussion and feedback.

Participants: Provide feedback and share perspectives during workshops.

All: Respect one another and assume good intentions. Bring a constructive mentality.

Comments on This Workshop

Please share feedback on this workshop to RMFPR@bpa.gov by 10/30.

Please note that feedback will not be posted and direct responses will not be provided.

Feedback will help inform future workshops.



Public Workshop Schedule & Key Project Dates

Project Completion:

Target publishing in Q2 FY27 to prevent spill over into the BP-29 rate case workshops and implementation of the new POC contracts.



Date	Milestone
20-Aug	Workshop - Kick-off & Grounding
1-Sept	Workshop – Analysis & Alternative Discussion
20-Oct	Workshop – Alternative Scenario Discussion
5-Nov	Workshop - Alternative Scenario Discussion (2)
13-Nov	Workshop - Draft Policy Framework for ROD Development
13-Dec	Comment Period Closes
16-Feb	Record of Decision Issued
1-Mar	Financial Plan Issued



Shaping Financial Plan and Policy Updates

Purpose of Meeting: Review and discuss proposed alternative packages and Financial Plan changes being examined for draft proposal policy updates.

Goal for Today: Share findings and gather attendee feedback for consideration for development for draft policy framework.

How to Share Feedback

- **During Meeting:** Raise your hand and speak up or place questions and comments in Slido throughout today's discussion.
- **After Meeting:** Email written feedback to RMFPR@bpa.gov.

Next Steps: All feedback gathered today and via email will directly inform the development of proposals which will be discussed at the next workshop **11/13**.

Financial Reserves Policy & Rate Setting Practices for Liquidity Risk

Recap: Reasons to Revisit Risk Practices & Policies

After several years of implementation, it has become evident that the current risk package struggles to effectively manage the inherent volatility of the energy industry and has potentially left BPA exposed to extreme downside risk.

- **Depleted Operating Reserves:** Consecutive years of RDC triggers followed by successive poor water years depleted Power financial reserves, triggering customer surcharges and highlighting structural shortcomings.
- **Structural Imbalances:** Deviations between forecast and actual net revenues—paired with Treasury Note modeling impacts—limit the ability to recover from multi-year water deficits.
- **Lower Threshold:** Maintaining a minimum days cash on hand is standard prudent risk management; 60 days cash on hand is low, compared to industry standard. BPA seeks a risk package that restores reserves in a timely manner if they fall below this level.

Recap: Reasons to Revisit Risk Practices & Policies

BPA's financial risk and policy decisions were sound given the context in which they were made, but the business landscape has evolved, leading to continued unhealthy risk exposure.

Volatility Risk Drivers

Reserves for Risk ~\$250M standard deviation, compared to \$40M FRP Surcharge

Emphasized Borrowing Over Proactive Recovery

Reliance on Treasury Note reduces likelihood of PNR for TPP, increasing reliance on retro-active mechanisms

Key Policy Limited

Surcharge/CRAC do not ensure recovery back to 60 days within fiscal year

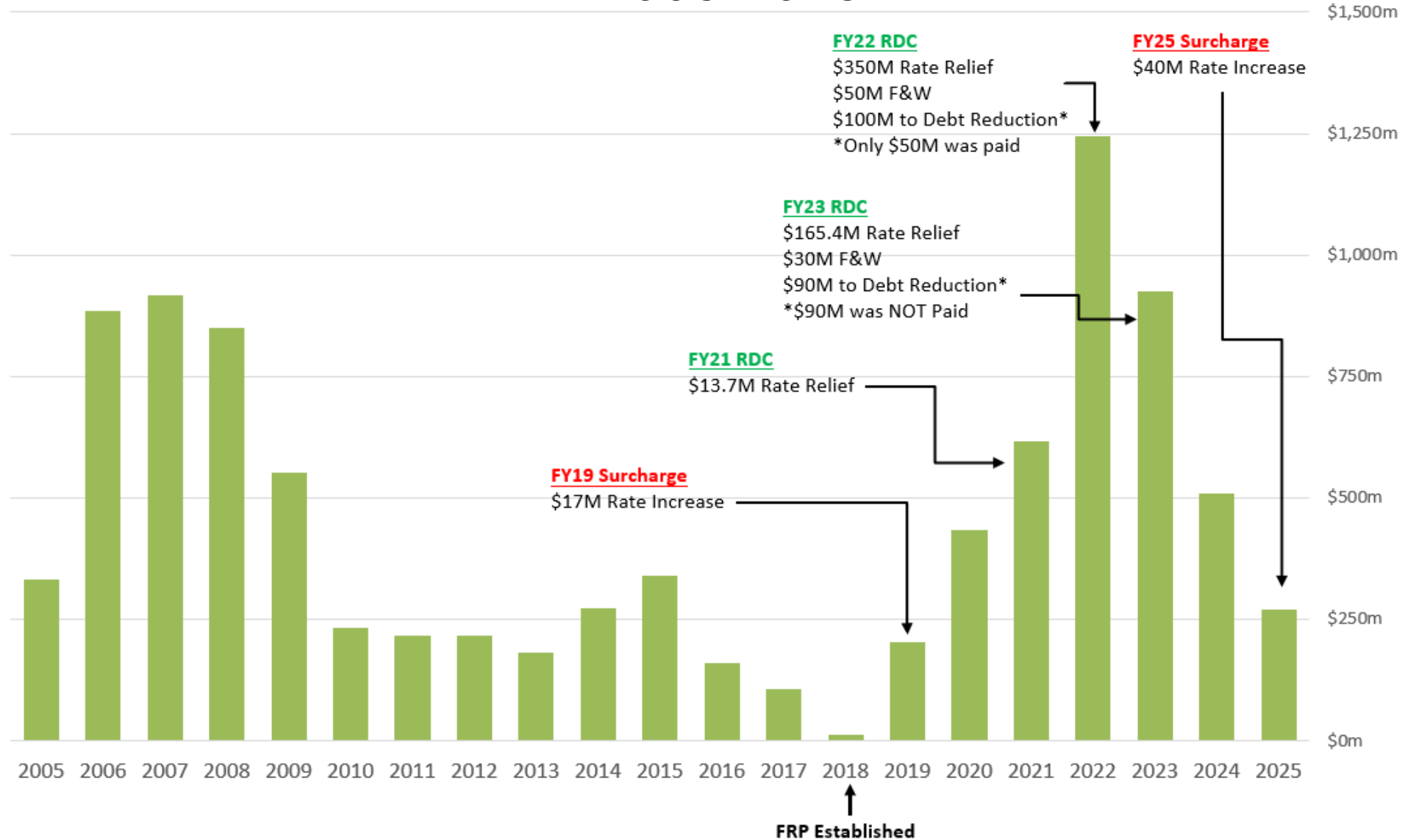
Potentially Imbalanced Approach

Policies favor retroactive action over proactive; cap downside recovery but not upside risk

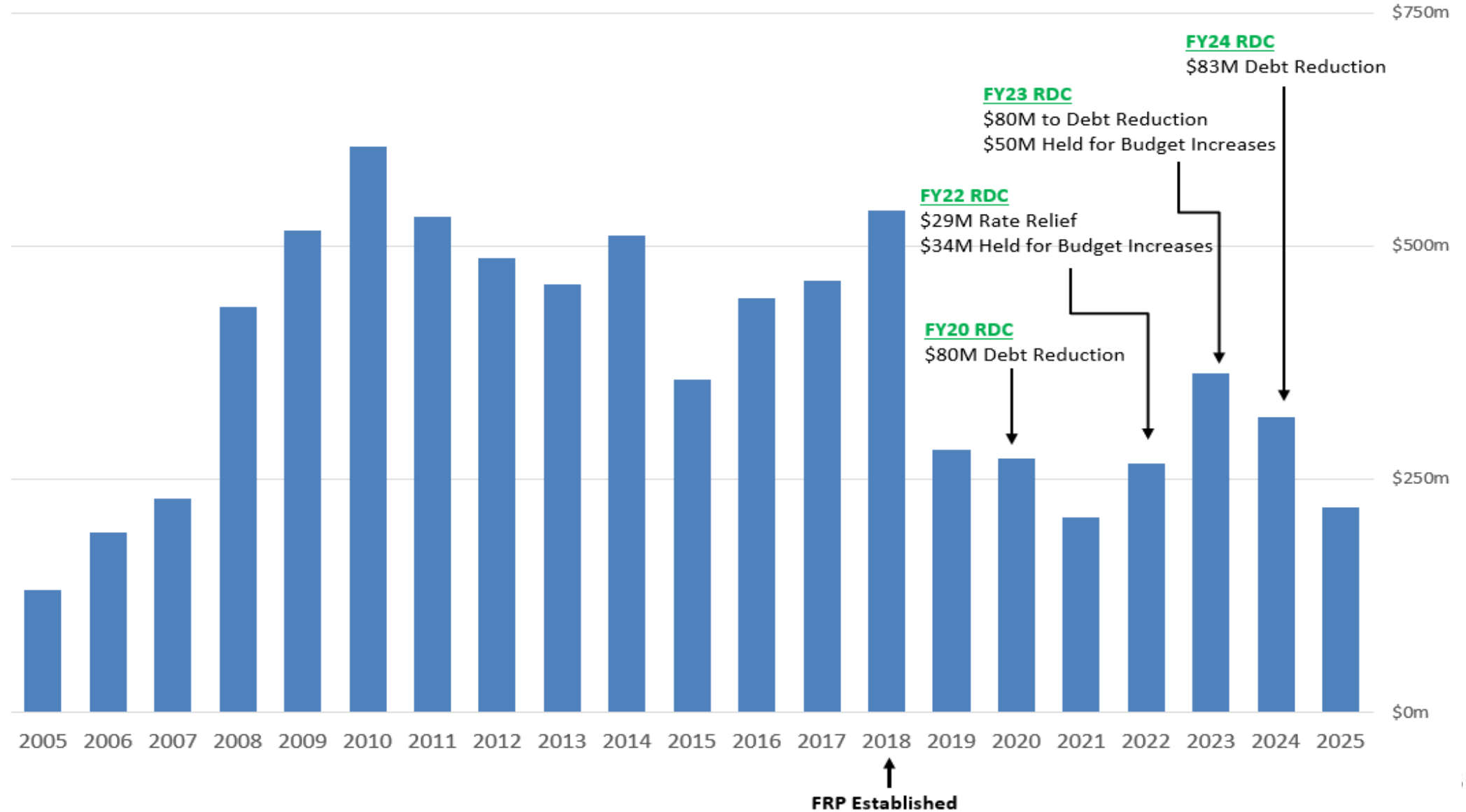
FRP Performance

Higher than anticipated number of FRP triggers; not providing sufficient risk mitigation for downside risks

Power Historical Financial Reserves for Risk FY 2005-2025



Transmission Historical Financial Reserves for Risk FY 2005-2025



Economic Rationale for Risk Premiums

- **Risk as a Cost of Service:**
 - Operating through market volatility and hydro variability carries a measurable economic cost.
 - This risk premium is a standard operating cost.
- **Proactive Risk Premiums:**
 - Building an upfront risk premium into base rates provides predictable, stable pricing rather than imposing post event mechanisms.
 - Upfront risk premiums are not retained as windfall revenue. If favorable conditions occur and downside risks do not materialize, unspent funds are dedicated to financial reserves or credited back to customers.
- **Retroactive Mechanisms for Risk:**
 - Increasingly common across the industry but may not deal directly with the risk driver.
 - Comparatively less upfront rate impacts but must be sufficiently ample to cover a wide set of possible downside events, which can result in significant rate shock if triggered.

Risk Proposal Framework & Modeling Results

- Presenting enterprise-wide modeling results for comprehensive risk proposal packages including:
 - **Proactive Tools** (immediate, upfront rate impacts)
 - **Proactive/Retroactive Blend** (upfront rate impacts, plus trigger dependent tools)
 - **Retroactive Tools** (no immediate rate impacts; depend on event-driven triggers)
- Evaluate how different packages manage reserves volatility:
 - Prevent dipping and remaining below target Days Cash on Hand (DCOH)
 - Maintain the capability to recover reserves in a timely manner
- Consider ability to adapt to an unknown evolving energy industry landscape
- Discuss trade offs between different tools, mechanisms and package types

Enterprise-Wide Draft Modeled Adjustments for Discussion

Approach to Modeling Packages

- **Common Assumptions Built into All Packages:** Across both business lines, Staff incorporated **common baseline assumptions** to streamline analysis and limit scope to avoid analysis paralysis.
 - The common baseline assumptions are pre-decisional and incorporate the revenue financing adjustment, the liquidity stability provision, and adjustment of the CRAC, all of which are discussed on following slides.
 - Changes from this underlying baseline could impact, influence, or change the initial policy proposal framework put forward by Staff at the final workshop and proposal.
- **Exploratory Concepts & Qualitative Analysis:** Also included in analysis are exploratory concepts and qualitative analysis, differing between the business lines to address the unique circumstances of each. These are called out within the package.
- **Alternative Packages:** Packages for each business line fall into the categories below, with alternatives for Power in all three, and proposals for Transmission in only one.
 - **Primarily Proactive Tool Additions:** Upfront risk mitigation embedded in base rate design
 - **Proactive Tool Additions with Strengthened Retroactive Tools:** Upfront risk mitigation embedded in base rate design, plus strengthened current tools
 - **Primarily Strengthened Retroactive Tools:** Trigger-based adjustments and back-end recovery mechanisms

Common Assumption: Revenue Financing Adjustment

- **Revenue Financing Adjustment:** A proposed modification to the SCFP.
- **Rationale:** Staff continue to support liquidity being prioritized over revenue financing in certain circumstances. However, given the importance of debt management and the volatility of Power revenues, Staff want to ensure the exception does not undermine the rule.
- **Removing “Bad Year” Repurposing:** Staff propose to remove the SCFP intent to repurpose revenue financing solely because end-of-year reserves are lower than start-of-year reserves.
- **Removal of GRSP Calculation:** Staff proposes to remove the adjustment to Surcharge/CRAC for upcoming revenue financing.
- **Retain Revenue Financing Unwinding For Liquidity Support:** Staff propose to maintain having planned revenue financing be repurposed for liquidity when below the lower threshold (Surcharge) and attempt to avoid/mitigate a FRP Surcharge or CRAC triggering. The specific implementation methodology will be provided in the future.

Common Assumption: Liquidity Stability Provision

Liquidity Stability Provision (LSP): Ensure BPA does not set rates to intentionally end the rate period below its targeted minimum Reserves for Risk (RFR) threshold. This concept was modeled as adding Planned Net Revenues for Risk (PNRR) to base rates—offset by forecasted surcharges and revenue financing unwinds—until BPA is forecast to end the rate period with at least 60 DCOH.

- **Strengthens Rate Setting:** Bolsters the integrity and long-term relevance of the rate setting process.
- **Bridge Through Volatility:** Provides essential financial security on the other side of adverse conditions, allowing BPA to weather multi-year rough patches.
- **Reinforces Retroactive Tools:**
 - Establishes a disciplined default path for liquidity restoration.
 - Underscores the urgency of timely action: *If reserves are not rebuilt during the rate period, the subsequent rate period will absorb the impacts.*
- While modeled in a certain way, staff are open to alternative ways to implement the concept

Common Assumption: CRAC Adjustment

- **Updated Trigger & Recovery Mechanism:**
 - **Trigger Threshold:** Shifted from \$0 to 30 Days Cash on Hand.
 - **Recovery Structure:** Recovers dollar-for-dollar until RFR reach 30 Days Cash on Hand.
- **Maintain Concurrent Activation:** As today, the CRAC adjustment would trigger along with the surcharge.

Exploratory Concept: Mechanical Implementation of RDC

- **Exploring Mechanical RDC Implementation:** Staff are evaluating a predefined methodological implementation of the Reserves Distribution Clause (RDC) with specifically tailored business line applications.
- **Tailored Approach:** The potential policy would have flexibility to adapt to the leverage and risk mitigation outcomes within this process.
- **Value of Defined Processes:** The project team sees value in limiting discretion for mid-rate period RDCs, either within policy, or deferring RDC determinations until the next rate case process

Transmission Draft Modeled Adjustments for Discussion

Business Line Tailoring — Transmission Adjustments

Context

- Staff's previous leaning was that Transmission's current risk package appeared sufficient under baseline conditions.
- Staff are considering updates to ensure Transmission's risk package can manage changing volatility profiles.
- Staff prepared **1 Proactive/Retroactive Blend** package, which includes upfront risk mitigation embedded in base rate design, plus trigger dependent tools

Considerations

- Proactive tools strengthen protection against severe tail risk events and help ensure liquidity integrity in rate setting.
- Strengthened retroactive tools enhance recovery speed and act as a prudent backstop.
- Revenue financing unwind adjustments support liquidity balanced with making leverage gains.
- A cap on amount of Revenue Financing to be unwound is an exploratory concept; dependent on revenue financing proposals.

Transmission - Strengthen Recovery Mechanisms

- **Adapting to an Evolving Transmission Landscape:** While the existing financial model relies on historical volatility, BPA is entering a fundamentally new transmission environment. Relying solely on past performance may not fully account for future market and operational dynamics, making it sensible to maintain and strengthen risk mitigation mechanisms.
- **Preserving Reserves and Sound Business Principles:** Under current parameters, existing recovery amounts are insufficient to meaningfully move the needle if RFR fall below the lower threshold. Enhancing these mechanisms aligns with BPA's commitment to operate in accordance with sound business principles and maintaining long term financial health.
- **Supports Ongoing Access to Low-Cost Capital:** Stronger structural protection supports positive credit agency reception.
- **Low Direct Risk to Transmission Customers:** Strengthening these tools acts primarily as a backstop. If conditions remain stable, these enhanced mechanisms will likely not be triggered.

Transmission - Draft Proposal Packages Elements

- **Revenue Financing Unwinding:** Modeled as repurposing revenue financing solely to prevent triggering a Surcharge or CRAC.
- **Liquidity Stability Provision (LSP):** Forecasts two-year end of rate period shortfall, nets out assumed surcharges and unwound revenue financing and spreads the remaining deficit evenly across both rate period years.
- **Surcharge Recovery Capacity (Surcharge Cap (SC)):** Modeled with increased recovery caps of \$50M and \$68M mirroring the percent of Power's surcharge increases.
- **CRAC Recovery Capability:** Modeled with a threshold shifted from \$0 to 30 Days Cash on Hand (DCOH), recovering dollar for dollar until Reserves for Risk reach 30 DCOH.
- **Revenue Financing Unwinding Cap:** Limits the amount of Revenue Financing that can be unwound in the model to \$85M.

A	
LSP + Retro-Active Alternatives	
1	Base - Revenue Financing Proposal
2	LSP + CR:30DC
3	LSP + SC:\$50M + CR:30DC
4	LSP + SC \$68M + CR:30DC
5	LSP + SC \$50M + CR:30DC + RF CAP:\$85M
6	LSP + SC \$68M + CR:30DC + RF CAP:\$85M

Transmission - Strengthening Recovery Amounts & Rev Financing Unwinding Cap (Retroactive)

	Average RFR		Recovery Period		Tool Balance			Rate Volatility						SCFP Rev Fin	
A	B	C	F	G	H	I	J	K	L	M	N	O	P	Q	R
LSP + Retro-Active Alternatives	Avg. RFR (\$M)	Avg. RFR (DCOH)	Ave Yrs Recover to 60DC	Max Time Below 60 DCOH(Yrs)	CRAC Frequency	Surcharge Frequency	RDC Frequency	Net Rate Adj Freq	Net Rate Adj Ave	Base Rate Adj Freq	Base Rate Adj Ave	Yearly Rate Adj Freq	Yearly Rate Adj Ave	SCFP Offset Freq	SCFP Offset Ave
1 Base - Revenue Financing Proposal	\$227	96	1.1	0.3	0%	3%	25%	28%	(\$14)	0%	\$0	28%	(\$14)	24%	\$15
2 LSP + CR:30DC	\$227	96	1.1	0.3	0%	30%	25%	28%	(\$14)	0%	\$0	28%	(\$14)	24%	\$15
3 LSP + SC:\$50M + CR:30DC	\$227	96	1.1	0.3	0%	3%	25%	28%	(\$14)	0%	\$0	28%	(\$14)	24%	\$14
4 LSP + SC \$68M + CR:30DC	\$227	96	1.1	0.3	0%	3%	25%	28%	(\$14)	0%	\$0	28%	(\$14)	24%	\$14
5 LSP + SC \$50M + CR:30DC + RF CAP:\$85M	\$225	95	1.3	0.8	1%	6%	25%	32%	(\$12)	0%	\$0	32%	(\$12)	24%	\$13
6 LSP + SC \$68M + CR:30DC + RF CAP:\$85M	\$226	96	1.2	0.7	1%	6%	25%	31%	(\$12)	0%	\$0	31%	(\$12)	24%	\$13

Enhanced Risk Mitigation: Staff proposes increasing the CRAC trigger to 30 DC and aligning the surcharge increase proportionally with Power. This bolsters the risk package to safeguard against future market volatility that diverges from historical patterns.

Addressing Downside Mechanism Inefficiencies: Under current policy, the total unwinding amount can absorb financial shocks to such a degree that downside risk mitigation mechanisms are effectively prevented from ever triggering.

Evaluating a Revenue Financing Unwinding Cap: Retaining \$85M for liquidity represents approximately 5% potential avoided rate impact. This approach results in slightly more frequent surcharge triggers but ensures revenue financing is implemented.

Transmission - Exploratory Concept: RDC Dividend Tied to Revenue Financing

Discussion Topic: (No Staff Leaning / Open for Feedback)

Policy to apply RDCs to debt reduction and dividend distribution with amount for each linked to amount of revenue financing.

- **Concept Overview** Exploring a mechanism where a known percentage of any **Reserves Distribution Clause (RDC)** is returned to customers as a **Dividend Distribution (DD)** based on the proportion of revenue financing in rates.
- **Core Mechanism & Mechanics**
 - Higher level of Revenue Financing in rates -> Larger percentage guaranteed to be returned to customers via DD.

Example

Revenue Financing Amount	RDC to Dividend Distribution
10%	25%
15%	50%
20%	75%

Power Draft Modeled Adjustments for Discussion

Power - Risk Proposal Framework & Modeling Results

- Presenting Power modeling results **with packages in three general categories:**
 - **Proactive Tool Addition on Top of Existing Tools:** Upfront risk mitigation embedded in base rate design via a reduction to the secondary revenue credit included in rates
 - **Proactive Tool Addition with Strengthened Retroactive Tools:** Upfront risk mitigation embedded in base rate design via the Rate Stability Fund, plus strengthened Surcharge
 - **Strengthened Retroactive Tools Packages:** Trigger-based adjustments and back-end recovery mechanisms, that include:
 - Equal/balanced Surcharge and RDC cap amounts
 - Increased Surcharge collection amounts along with increased RDC threshold triggers
- **Considerations:**
 - Proactive tools strengthen protection against severe tail risk events and help ensure liquidity integrity in rate setting.
 - Strengthened retroactive tools enhance recovery speed.
 - Revenue financing unwind adjustments support liquidity balanced with making leverage gains.

Power - Draft Alternative Package Elements

Baseline Adjustments

- **Liquidity Stability Provision (LSP):** Forecasts two-year end of rate period shortfall, nets out forecast surcharges and revenue financing unwinding and spreads the remaining deficit evenly across both rate period years.
- **Revenue Financing Unwinding:** Modeled as repurposing revenue financing solely to prevent triggering a Surcharge or CRAC.
- **CRAC Recovery Capability:** Modeled with a threshold shifted from \$0 to 30 Days Cash on Hand (DCOH), recovering dollar for dollar until Reserves for Risk reach 30 DCOH.

Proactive Tools

- **Rate Stability Fund (RSF):** Modeled with a \$400M cap and a \$20M annual contribution.
- **Secondary Revenue Reductions:** Modeled with baseline reductions of \$100M and \$200M.

Retroactive Tools

- **Surcharge Recovery Capacity (SC):** Modeled with increased recovery caps of \$80M and \$100M, evaluated alongside complementary retroactive mechanisms.
- **Reserves Distribution Clause (RDC) Cap:** Modeled with distribution caps of \$80M and \$100M, evaluated alongside complementary retroactive mechanisms.
- **RDC Upper Threshold:** Modeled at three expanded trigger levels—150, 180, and 200 DCOH—evaluated alongside complementary retroactive mechanisms.

Primarily Proactive Tools

Power - Reduction of Secondary Revenue (Proactive)

	Average RFR		Recovery Period		Tool Balance			Rate Volatility						SCFP Rev Fin	
A	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
LSP + PNRR + Pro-Active Alternatives	Ave RFR +RSF (\$M)	Ave RFR +RSF (DCOH)	Ave Yrs Recover to 60DC	Max Time Below 60 DCOH(Yrs)	CRAC Frequency	Surcharge Frequency	RDC Frequency	Net Rate Adj Freq	Net Rate Adj Ave	Base Rate Adj Freq	Base Rate Adj Ave	Yearly Rate Adj Freq	Yearly Rate Adj Ave	SCFP Offset Freq	SCFP Offset Ave
1 Base - Revenue Financing Proposal	\$477	77	3.6	5.4	6%	33%	17%	51%	(\$19)	0%	\$0	51%	(\$19)	40%	\$14
2 LSP + Rev Financing Proposal_CR:30DC	\$529	85	2.4	3.4	9%	26%	20%	47%	(\$13)	11%	\$8	45%	(\$21)	33%	\$11
3 LSP + SRR:\$100M	\$730	118	1.5	1.1	2%	8%	46%	100%	\$6	100%	\$100	54%	(\$94)	10%	\$3
4 LSP + SRR:\$200M	\$892	144	1.3	0.2	0%	1%	69%	100%	\$17	100%	\$200	70%	(\$183)	1%	\$0

Addition of SRR to Offset Secondary Revenue: Adding Surplus Revenue Reduction (SRR) to reduce the volatility due to the standard deviation of the secondary revenue credit

Dividend Distribution Mechanism via RDC Style Feature: Establishes a crediting mechanism structured similarly to an RDC where if financial performance exceeds targets, funds are returned to customers as a credit, functioning like a dividend distribution, to ensure customers still benefit from strong financial outcomes.

Additional Risk Package Consideration: BPA to evaluate implementation and trigger thresholds pending customer interest.

\$100M

- Extending the phase in period allows for a more gradual net rate impact on customers and results in a longer ramp up time.

\$200M

- Accelerating the phase in period shortens the transition timeline, allowing customers to gain earlier access an annual credit amount, though it comes with a steeper initial rate impact.

Proactive Tool Additions with Strengthened Existing Retroactive

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

Power - Rate Stability Fund (Proactive) & Strengthened Retroactive

	Average RFR				Recovery Period		Tool Balance			Rate Volatility						SCFP Rev Fin	
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
LSP + Pro-Active Alternatives	Avg. RFR (\$M)	Avg. RFR (DCOH)	Ave RFR +RSF (\$M)	Ave RFR +RSF (DCOH)	Ave Yrs Recover to 60DC	Max Time Below 60 DCOH(Yrs)	CRAC Frequency	Surcharge Frequency	RDC Frequency	Net Rate Adj Freq	Net Rate Adj Ave	Base Rate Adj Freq	Base Rate Adj Ave	Yearly Rate Adj Freq	Yearly Rate Adj Ave	SCFP Offset Freq	SCFP Offset Ave
1 Base - Revenue Financing Proposal	\$477	77	\$477	77	3.6	5.4	6%	33%	17%	51%	(\$19)	0%	\$0	51%	(\$19)	40%	\$14
2 LSP + Rev Financing Proposal_CR:30DC	\$529	85	\$529	85	2.4	3.4	9%	26%	20%	47%	(\$13)	11%	\$8	45%	(\$21)	33%	\$11
3 LSP + RSF:\$20M/\$400M_SC\$80M_CR:30DC	\$551	89	\$726	117	2.2	2.2	5%	14%	14%	84%	\$4	77%	\$17	29%	(\$13)	20%	\$7
4 LSP + RSF:\$20M/\$400M_SC:\$100M_CR:30DC	\$553	89	\$728	117	2.1	2.1	5%	14%	14%	84%	\$4	77%	\$16	28%	(\$12)	19%	\$7

Smooths Cost Volatility: Moderates high impact volatility with a predictable, incremental charge collected in advance.

Streamlines Budgeting: Delivers predictable, known costs that simplify utility resource and financial planning.

Reduces Surcharges: Exchanges a modest baseline rate increase for a sharp drop in unexpected surcharge triggers.

Policy Construct: Policy to clearly articulate use of RSF amounts to ensure not reallocated to other purposes.

Comprehensive Risk Performance: Significantly reduces Surcharge and CRAC frequency, balances Surcharge and RDC triggers when paired with an increased recovery amount and improves both overall recovery time and the maximum duration spent below 60 Days Cash.

Primarily Strengthened Existing Retroactive

Power - Balanced Cap Amounts (Retroactive)

		Average RFR		Recovery Period		Tool Balance			Rate Volatility						SCFP Rev Fin	
A		D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
LSP + Other Retro-Active Alternatives		Ave RFR +RSF (\$M)	Ave RFR +RSF (DCOH)	Ave Yrs Recover to 60DC	Max Time Below 60 DCOH(Yrs)	CRAC Frequency	Surcharge Frequency	RDC Frequency	Net Rate Adj Freq	Net Rate Adj Ave	Base Rate Adj Freq	Base Rate Adj Ave	Yearly Rate Adj Freq	Yearly Rate Adj Ave	SCFP Offset Freq	SCFP Offset Ave
1	Base - Revenue Financing Proposal	\$477	77	3.6	5.4	6%	33%	17%	51%	(\$19)	0%	\$0	51%	(\$19)	40%	\$14
2	LSP + Rev Financing Proposal_CR:30DC	\$529	85	2.4	3.4	9%	26%	20%	47%	(\$13)	11%	\$8	45%	(\$21)	33%	\$11
3	LSP + SC \$80M/RDC \$80M_CR:30DC	\$680	110	2.1	2.6	7%	20%	34%	55%	(\$0)	6%	\$3	54%	(\$3)	25%	\$9
4	LSP + SC \$100M/RDC \$100M_CR:30DC	\$652	105	2.1	2.6	8%	20%	32%	53%	(\$3)	5%	\$2	52%	(\$4)	25%	\$9

Minimizes upfront rate impact, spreads benefit of good years over more rate periods reducing Surcharge probability: While symmetrical RDC and Surcharge caps may increase the incidence of RDCs in the future, capping the RDC achieves similar reductions in Surcharge incidence to RSF scenarios, and generally results in smaller incremental changes and a more predictable rate path.

Balanced Risk Distribution: The symmetrical structure distributes financial variance evenly between Surcharges and RDC, ensuring revenue adjustments remain within reasonable thresholds.

SC \$80M / RDC \$80M

- Average RFR land slightly higher with the \$80M symmetrical cap since less is returned via RDC.

SC \$100M / RDC \$100M

- Moving from \$80M to \$100M yields a slightly higher RDC dividend frequency.

Power - Strengthen Surcharge and Increase Upper Threshold (Retroactive)

	Average RFR		Recovery Period		Tool Balance			Rate Volatility						SCFP Rev Fin	
A	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
LSP + Retro-Active Alternatives	Ave RFR +RSF (\$M)	Ave RFR +RSF (DCOH)	Ave Yrs Recover to 60DC	Max Time Below 60 DCOH(Yrs)	CRAC Frequency	Surcharge Frequency	RDC Frequency	Net Rate Adj Freq	Net Rate Adj Ave	Base Rate Adj Freq	Base Rate Adj Ave	Yearly Rate Adj Freq	Yearly Rate Adj Ave	SCFP Offset Freq	SCFP Offset Ave
1 Base - Revenue Financing Proposal	\$477	77	3.6	5.4	6%	33%	17%	51%	(\$19)	0%	\$0	51%	(\$19)	40%	\$14
2 LSP + Rev Financing Proposal_CR:30DC	\$529	85	2.4	3.4	9%	26%	20%	47%	(\$13)	11%	\$8	45%	(\$21)	33%	\$11
3 LSP + SC \$80M/RDC 180DC_CR:30DC	\$677	109	2.1	2.4	7%	19%	12%	32%	(\$0)	6%	\$3	30%	(\$3)	23%	\$8
4 LSP + SC \$80M/RDC 200DC_CR:30DC	\$715	115	2.2	2.4	7%	18%	9%	29%	\$3	6%	\$3	27%	\$1	22%	\$8
5 LSP + SC \$100M/RDC 150DC_CR:30DC	\$611	99	2.1	2.6	7%	20%	16%	37%	(\$5)	4%	\$2	36%	(\$7)	25%	\$9
6 LSP + SC \$100M/RDC 180DC_CR:30DC	\$678	109	2.1	2.4	7%	18%	11%	31%	\$0	4%	\$2	30%	(\$1)	23%	\$8

Increasing RDC Threshold Builds Permanent Liquidity: Raising the trigger threshold is the primary driver of cash retention which grows reserves while reducing overall rate adjustment frequency.

Strengthening the Surcharge Mitigates Tail Risk: Scaling the surcharge acts as targeted downside protection

Complementary Financial Levers: The RDC threshold dictates baseline financial cushion and rate stability, whereas the surcharge mechanism accelerates recovery during adverse financial periods.

Ease of Implementation: Adjusting these existing mechanisms is straightforward, as stakeholders are already familiar with the tools and the operational policy and mechanics are already in place.

Low Impact on Base Rate Setting: Updating existing risk mechanisms provides enhanced protection while having minimal impact on year-to-year base rate adjustments.

Rate Stability Fund vs. RDC Threshold Increase Results Comparison

Power - Business Line Tailoring - Zero Contribution RSF vs Raising RDC Cap

A	Average RFR				Recovery Period		Tool Balance			Rate Volatility						SCFP Rev Fin	
	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
LSP + Retro-Active Alternatives	Avg. RFR (\$M)	Avg. RFR (DCOH)	Ave RFR +RSF (\$M)	Ave RFR +RSF	Ave Yrs Recover to	Max Time Below 60	CRAC Frequency	Surcharge Frequency	RDC Frequency	Net Rate Adj Freq	Net Rate Adj Ave	Base Rate Adj Freq	Base Rate Adj Ave	Yearly Rate Adj	Yearly Rate Adj	SCFP Offset Freq	SCFP Offset Ave
1 Base - Revenue Financing Proposal	\$477	77	\$477	77	3.6	5.4	6%	33%	17%	51%	(\$19)	0%	\$0	51%	(\$19)	40%	\$14
2 LSP + Rev Financing Proposal_CR:30DC	\$529	85	\$529	85	2.4	3.4	9%	26%	20%	47%	(\$13)	11%	\$8	45%	(\$21)	33%	\$11
3 LSP + RSF \$0M/\$400M_CR30DC	\$541	87	\$682	110	2.5	2.8	7%	20%	11%	32%	\$0	9%	\$6	31%	(\$6)	24%	\$8
4 LSP + RDC:188DC_CR30DC	\$683	110	\$683	110	2.5	2.8	7%	20%	11%	32%	\$0	9%	\$6	31%	(\$6)	24%	\$8
5 LSP + RSF \$20M/\$400M_CR30DC	\$548	88	\$722	117	2.5	2.5	5%	15%	14%	84%	\$4	77%	\$20	30%	(\$16)	21%	\$7

Comparable Modeling Results: A zero-contribution Rate Stability Fund (RSF) models almost identically to raising the RDC threshold.

Source of Model Differences: Divergences are largely mechanical, stemming from the order in which funds unwind in the model logic.

Driver of RSF Benefits: Value is primarily driven by the baseline contribution level, supplemented through RDC triggers.

Governance vs. Location: While capital resides in the BPA Fund under either option, the RSF offers dedicated transparency and explicit, targeted use cases for set aside reserves.

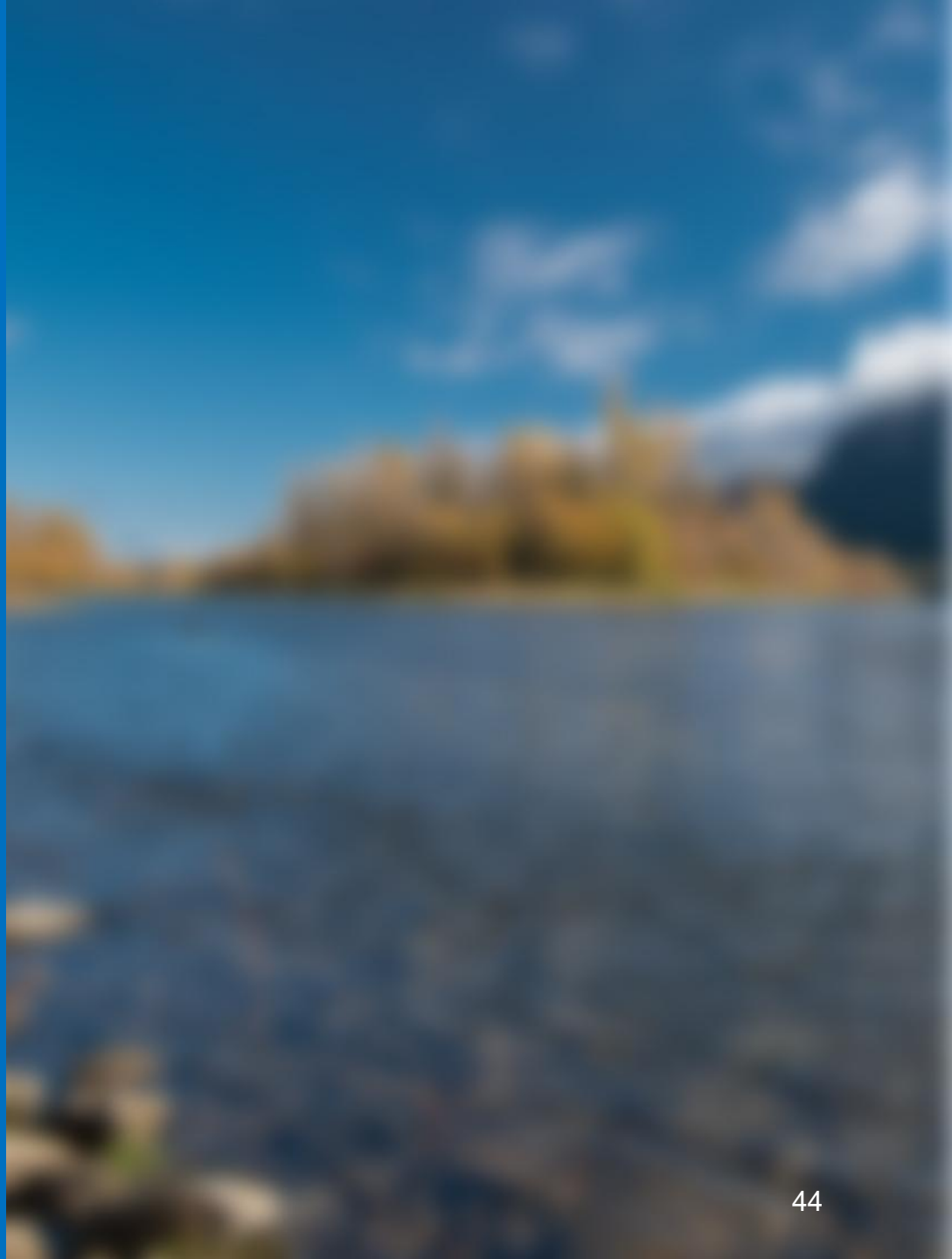
Power Draft Modeled Adjustments Overall Results Comparison

Power - All Modeled Adjustments

		Average RFR				Recovery Period		Tool Balance			Rate Volatility			
A		B	C	D	E	F	G	H	I	J	K	L	M	N
Power Alternations		Avg. RFR (\$M)	Avg. RFR (DCOH)	Ave RFR +RSF (\$M)	Ave RFR +RSF (DCOH)	Ave Yrs Recover to 60DC	Max Time Below 60 DCOH(Yrs)	CRAC Frequency	Surcharge Frequency	RDC Frequency	Net Rate Adj Freq	Net Rate Adj Ave	Base Rate Adj Freq	Base Rate Adj Ave
1	Base - Revenue Financing Proposal	\$477	77	\$477	77	3.6	5.4	6%	33%	17%	51%	(\$19)	0%	\$0
2	LSP + Rev Financing Proposal_CR:30DC	\$529	85	\$529	85	2.4	3.4	9%	26%	20%	47%	(\$13)	11%	\$8
3	LSP + RSF:\$20M/\$400M_SC\$80M_CR:30DC	\$551	89	\$726	117	2.2	2.2	5%	14%	14%	84%	\$4	77%	\$17
4	LSP + RSF:\$20M/\$400M_SC:\$100M_CR:30DC	\$553	89	\$728	117	2.1	2.1	5%	14%	14%	84%	\$4	77%	\$16
5	LSP + SRR:\$100M	\$730	118	\$730	118	1.5	1.1	2%	8%	46%	100%	\$6	100%	\$100
6	LSP + SRR:\$200M	\$892	144	\$892	144	1.3	0.2	0%	1%	69%	100%	\$17	100%	\$200
7	LSP + SC \$80M/RDC \$80M_CR:30DC	\$680	110	\$680	110	2.1	2.6	7%	20%	34%	55%	(\$0)	6%	\$3
8	LSP + SC \$100M/RDC \$100M_CR:30DC	\$652	105	\$652	105	2.1	2.6	8%	20%	32%	53%	(\$3)	5%	\$2
9	LSP + SC \$80M/RDC 180DC_CR:30DC	\$677	109	\$677	109	2.1	2.4	7%	19%	12%	32%	(\$0)	6%	\$3
10	LSP + SC \$80M/RDC 200DC_CR:30DC	\$715	115	\$715	115	2.2	2.4	7%	18%	9%	29%	\$3	6%	\$3
11	LSP + SC \$100M/RDC 150DC_CR:30DC	\$611	99	\$611	99	2.1	2.6	7%	20%	16%	37%	(\$5)	4%	\$2
12	LSP + SC \$100M/RDC 180DC_CR:30DC	\$678	109	\$678	109	2.1	2.4	7%	18%	11%	31%	\$0	4%	\$2

- Every alternative improves materially on both reference cases in terms of Average RFR balance and recovery speed
- Maximum protection comes from SRR but base rates rise every year and customers see large gross swings.
- Strong protection at a known upfront cost comes from the RSF.
- Solid protection at close to rate-neutral cost comes from the retroactive tools.

LUNCH



Cost Management – Draft Program Language

Draft Language Review: Program Costs

Purpose: Share draft language and how stakeholder inputs shaped the draft.

Objective: Build understanding of the proposed draft language and seek initial feedback.

Topics:

- Reason for Review: Addressing Sunsetting Language
- Draft Language Scope: Considerations & Constraints
- Draft Financial Plan Program Cost Language

Recap: Reason for Review

- The Cost Management section of the 2022 Financial Plan includes the language:
“hold the sum of program costs, by business line, at or below the rate of inflation through 2028.”
- Leaving this language in the plan could **create confusion** for the BP-29 Integrated Program Review because that review will focus on costs for FY29-30 and the goal applies to costs through 2028.
- The inflation goal was **adopted during a period of low growth**, when it was possible to meet BPA’s strategic objectives and other business needs while aiming to hold forecast cost increases at or below inflation.
- BPA’s current strategy is growth oriented. Inflation only covers the cost to do the same work (approximately). The inflation goal **conflicts with BPA’s strategy and business needs.**

Recap: Language Objectives

Remove the Expired Language

Program costs: Hold the sum of program costs, by business line, at or below the rate of inflation through 2028.

Commitment to Transparency

BPA remains committed to disciplined cost management and the lowest possible rates consistent with sound business principles.

- **IPR:** Enables stakeholders to review and influence forecast costs.
- **QBR (Or Successor):** Offers ongoing opportunities to review spending throughout the year.
- **Inflation Benchmark:** BPA will report forecast cost increases relative to inflation.

Consideration of Customer Feedback

During the workshop and through customer comments to date we have heard two primary themes:

Theme 1. Request for Alternative Targets

While BPA is not proposing to include alternative targets, BPA commits to continue reporting important metrics like growth relative to inflation.

Why:

- Run the risk of having a target that doesn't match the needs of the business.
- IPR offers a better opportunity to review detailed cost forecasts

Theme 2. Request to establish inflation Targets for each business line

BPA Staff recognize each business line may have different operational requirements and business needs, but do not support incorporating new targets into the Financial Plan. However, the draft language reflects that BPA may chose to evaluate metrics that are specific to a business line.

Why:

IPR provides a better opportunity to review forecast costs and operational metrics, allowing for consideration of circumstances unique to each business line.

Draft Financial Plan Program Costs Language

BPA manages program costs to support the lowest possible rates consistent with sound business principles, while meeting its mission objectives and statutory obligations.

Projections for program costs are generally developed prior to BPA's rate case proceedings in the Integrated Program Review, or IPR. The IPR is a transparent public process in which BPA explains proposed program costs, including information on:

- significant cost drivers,*
- changes in projected spending from prior rate periods,*
- changes relative to inflation, and*
- relevant economic and operational factors.*

The analysis supports BPA's assessment that, on a forecast basis, cost estimates are sufficient and reasonable to cover BPA's operations and meet BPA's mission objectives and statutory obligations over the rate period.

BPA also reports financial performance each quarter through the Quarterly Business Review (QBR), or its successor. The QBR is a transparent public process in which BPA presents forecast and actual spending for the fiscal year and performance toward operational targets.

Thank You

Comments on This Workshop

- Please share feedback on this workshop to RMFPR@bpa.gov by 10/30.
- Note that feedback will not be posted and direct responses will not be provided.
- Feedback will help inform future workshops.



Upcoming Workshop Schedule

	Date	Meeting	Purpose
	8/20	Workshop – Kick Off & Grounding	To formally kick off the Risk Mitigation & Financial Policies Refresh, establish a collaborative foundation with customer partners, and level set all attendees on the project's core focus areas, scope, and timeline.
	9/1	Workshop – Analysis & Alternatives	To share analytical methodologies and preview the policy tools, mechanisms, and strategies currently under evaluation.
	10/20	Workshop - Alternative Discussion	To facilitate a collaborative review of the proposed alternative packages and changed under consideration.
	11/5	Workshop - Alternative Discussion	To facilitate a collaborative review of the proposed alternatives and changes under consideration.
	11/13	Workshop - Draft Policy Framework for ROD Development	To share the draft policy framework and collect stakeholder input on its planned implementation.