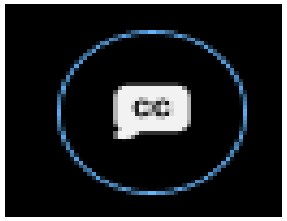
Webex Accessibility tools

To enable Closed Captions



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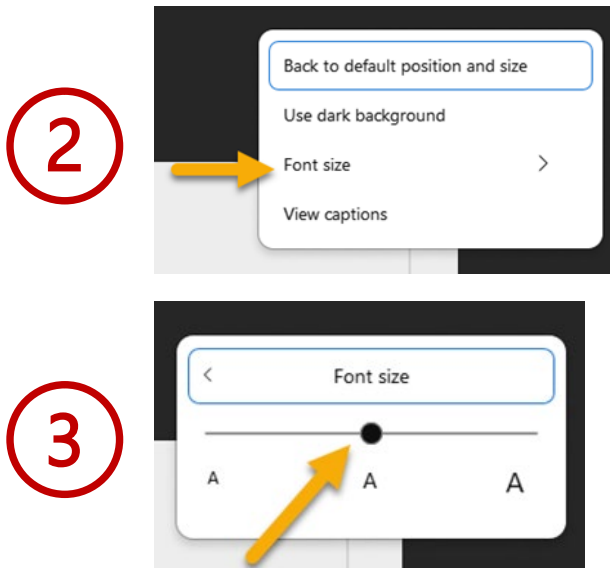
Note: CC is set individually by each person who wants to enable them.

Change font size

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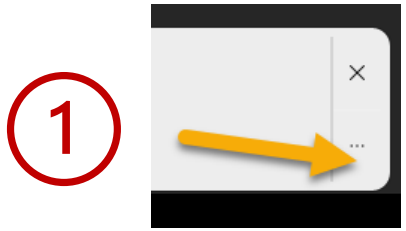
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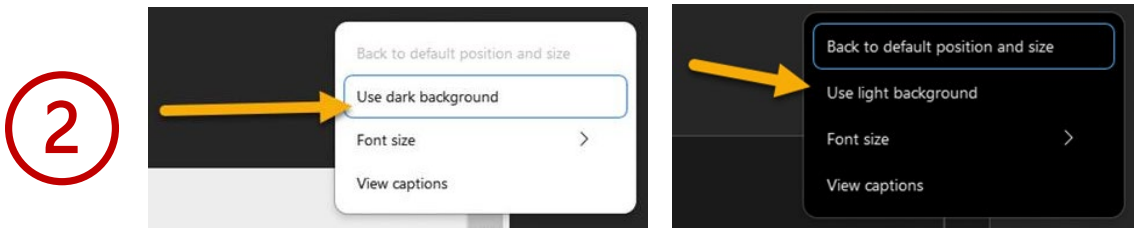
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Change background contrast

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





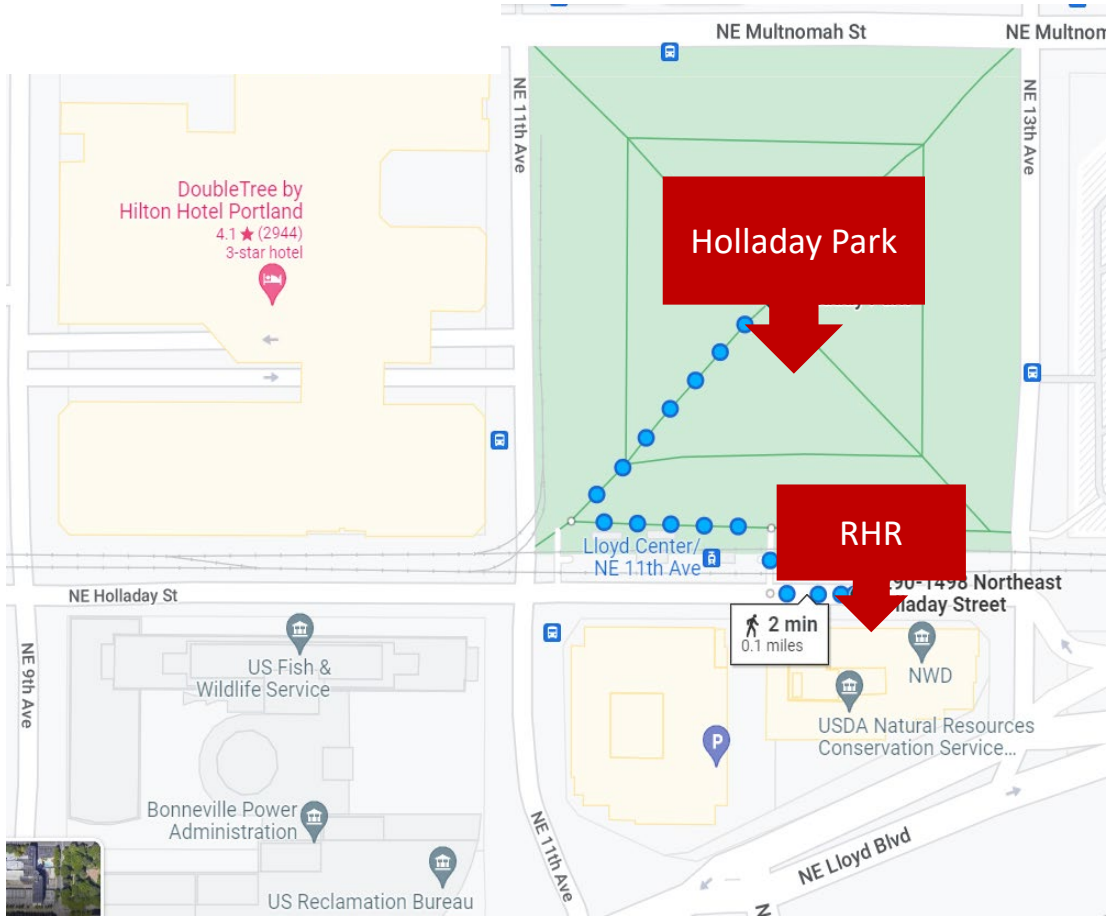


2026 Risk Mitigation & Financial Policies Refresh Alternatives Discussion Workshop

November 2, 2026

Safety Moment

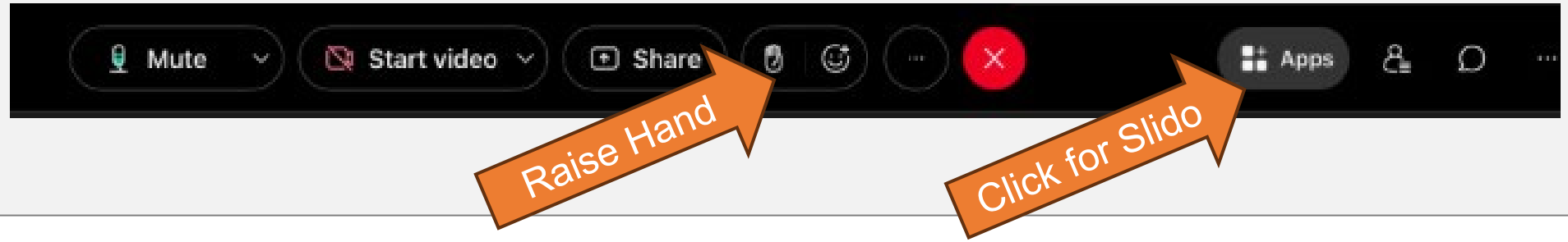
- The Rates Hearing Room has two exits.
- In the event an alarm sounds, please meet at Holladay Park across the street.



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)
12:00 PM	1:15 PM	Welcome, Introduction & Overview	Nadine Coseo
1:15 PM	1:20 PM	Workshop Objectives	Nell Burns
1:20 PM	2:00 PM	Alternative Discussion: Sustainable Capital Financing Policy (Leverage)	Ethan Postrel
2:00 PM	2:15 PM	B R E A K	
2:15 PM	3:00 PM	Higher Of Methodology and Revenue Financing	Ryan Newman
3:00 PM	3:05 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 11/9.

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
11-Dec	Comment Period Closes
16-Feb	Record of Decision Issued
1-Mar	Financial Plan Issued

YOU ARE HERE

Shaping Financial Plan and Policy Updates

Purpose of Meeting: Review and discuss 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**.

Sustainable Capital Financing Policy (Leverage)

Recap: Sustainable Capital Financing (Leverage) Policy Review Objectives

Objective: Reassess BPA's leverage goals to achieve balance between the long-term rate impacts of more debt with higher fixed costs, and the near-rate impacts of revenue financing.

Scope: Review the Sustainable Capital Financing Policy. Specifically, determine whether the current 60% enterprise-wide leverage goal remains appropriate and whether the targeted timeline of 2040 continues to be reasonable. Then, review the revenue financing determination/calculation method.

Drivers: Significantly increased Transmission capital plans and commitments made in the BP-26 process.

BPA Financial Guiding Principles

BPA's commercial and financing models are adapting to the historic demand for high-voltage transmission.

Core principles to guide financial direction during this time of transition for Transmission Services:

- **Prioritize Near-Term Rate Affordability:** Expect higher near-term Transmission Business Line leverage in the context of intensive capital growth.
- **Deploy Robust Federal Borrowing Authority:** Utilize US Treasury capacity while ensuring regional understanding of future needs and plans for continued access to capital.
- **Optimize Capital Structure and Leverage:** Leverage BPA's favorable cost of capital relative to others.
- **Implement Growth Pays for Growth Frameworks:** Grow the grid while employing innovative financial structures to shield existing customers from the cost of large-load expansions, including e.g., customer prepayments or revenue commitments, which provide significant derisking for BPA and customers.

Business Line Considerations

Distinct business line considerations are in play:

- **Transmission:** Major transmission expansion with a significantly changing business model landscape; significant increase in planned capital expenditures to grow the grid. Many of the same benefits of revenue financing may be achieved via customer prepays or revenue commitments would be both credit supportive and aligned with “growth pays for growth” commitments.
- **Power:** Subject to significant volatility (streamflow and prices) which translates to significant volatility in net revenues and reserves for risk; flat capital expenditure profile. Deploying revenue financing is credit supportive by offsetting risk and building greater balance sheet strength.

These distinctions suggest different paths for near-term revenue financing approaches for the Power and Transmission business lines.

Evolving the Capital Financing Framework

Transition to a dynamic capital management framework.

- Permit customer-funded models and new transmission buildout trajectories to mature.
- Suspend the fixed enterprise leverage ratio target.
- Maintain rate-making discretion on application and amounts of revenue financing.
- **Transmission Strategy:** Prioritize Direct Customer Funding over “blanket” Revenue Financing
  - Advanced structural commercial models (upfront prepayments; direct participant capital, etc.) ensure growth pays for growth.
  - Preserve rate-case agility: Consider revenue financing as a ratemaking tool as conditions warrant.
- **Power Strategy:** Maintain Disciplined Self Financing
  - With tiered rate structure, Power has a well-established form of ‘growth pays for growth.’
  - Capital program investment benefits blanket power customers.
  - Expect modest revenue financing (10-20%) to support balance-sheet de-risking and long-term cost containment.

BPA could reassess balance sheet and leverage goals after business model transformation progresses.

Earlier SCFP/Leverage Questions

1. Is 60% still the right BPA leverage goal?

The 60% debt-to-asset goal was conceived in an era of routine lifecycle maintenance. In an unprecedented capital expansion cycle driven by massive regional growth, a static 60% target is overly restrictive and does not fit the evolving needs of the region.

2. Is 2040 still the right target date for achieving the leverage goal?

Accelerating toward a 2040 ratio risks severe upward pressure on rates. Establishing a new single-point timeline today is premature; leverage should reflect deliberate rate-case decisions and consider direct customer contributions and project buildout schedules rather than a fixed calendar date.

3. What is the best way to achieve the goal (e.g. revenue financing (RF) determination method)?

Suspend automatic, fixed-percentage "blanket" calculations for the transmission capital program. Evaluate revenue financing decisions as active rate-case determinations – allowing BPA to prioritize and assess direct customer funding for expansion while considering appropriate treatment for baseline sustainment costs.

Focusing Forward Discussion: Strategy Implementation & Transparency

Key areas of dialogue and transparency commitments as financial frameworks evolve

Parallel Commercial Evolution

- Transmission Services is leading dedicated customer processes to design specific participant-funding, interconnection, and prepayment mechanisms (e.g., RAPID, SPRINT, PLAID, NOS).
- Finance will integrate the balance sheet benefits of those customer-funded structures; customer-provided capital directly mitigates enterprise debt and preserves U.S. Treasury capacity.

Ongoing Financial Transparency: Rather than a single out-year outcome, BPA will continue tracking and sharing core financial health measures:

- **Leverage:** Enterprise and business-line Debt-to-Asset ratios.
- **Borrowing Runway:** U.S. Treasury borrowing authority projected runway.
- **Capital Base Growth**: Net Plant in Service and capital asset growth, alongside debt issuance.

Next Steps

- Feedback from today's session will inform the BPA's proposal for the Risk Mitigation and Financial Policies Refresh (RM/FPR).
- BPA will provide a 30-day RM/FPR formal comment period.
- BPA will monitor its capital program needs and execution, leverage position, and performance of customer-funding evolution and coverage to determine whether and when to revisit this topic. BPA will not establish a date-based goal to revisit this topic.



BREAK



Revenue Requirement “Higher Of” Methodology and Revenue Financing

Overview: Revenue Requirement Methodology and Revenue Financing

Objective: Satisfy BP-26 settlement commitment to hold a workshop to discuss "customer concerns about over-recovery of Transmission costs through the Transmission revenue requirement, including the **'higher of' methodology** for determining the revenue requirement."

Primary Goal: Determine how to address asset depreciation ***if*** a portion of capex is financed with revenue financing.

Scope Boundaries:

Focus on how we recover revenue financed capital through rates to address perceived double recovery, not on establishing revenue financing policy levels.

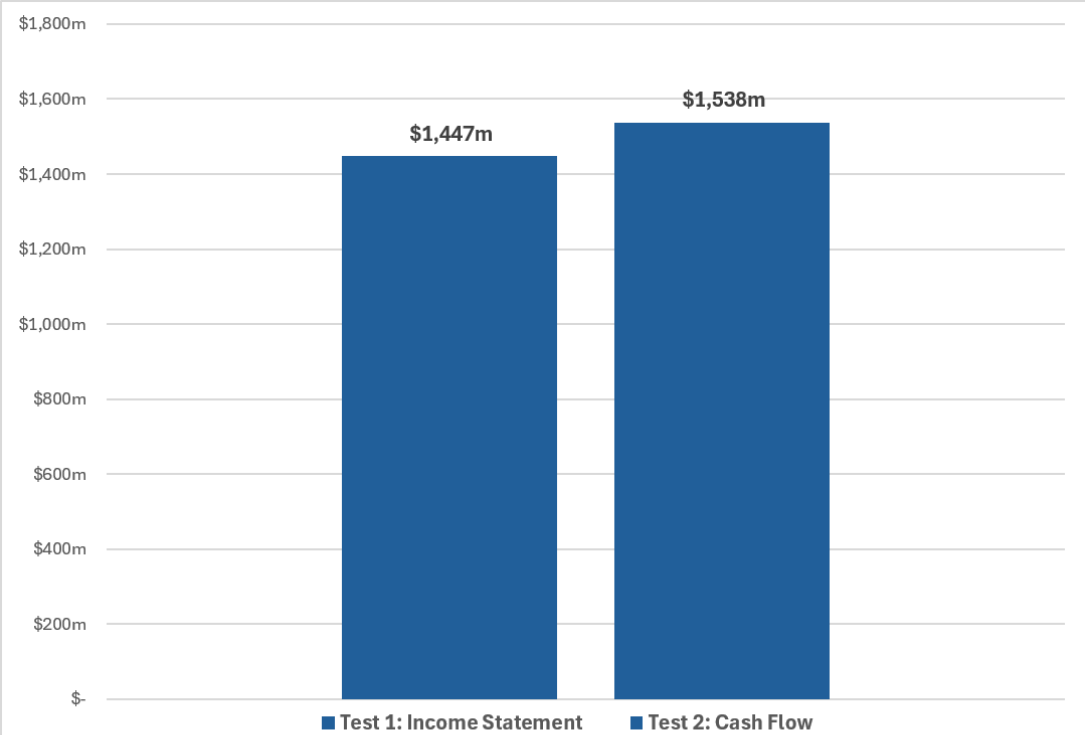
Core Concepts

Review how the “Higher of” method works and where revenue financing and depreciation on revenue financed assets shows up.



Core Concepts: The "Higher of" Methodology

- **Purpose:** Calculates how much total revenue must be recovered from rates to recover costs.
- **How It Works:** Rates are set to meet the “Higher of” two calculations:
  - **Test 1** - Accrual Basis: Based on the income statement (e.g., depreciation expense)
  - **Test 2** - Cash Basis: Based on actual cash flow requirements (e.g., debt repayment)
- **Core Principle:** BPA does not design rates to intentionally run a net loss on either a cash or accrual basis.

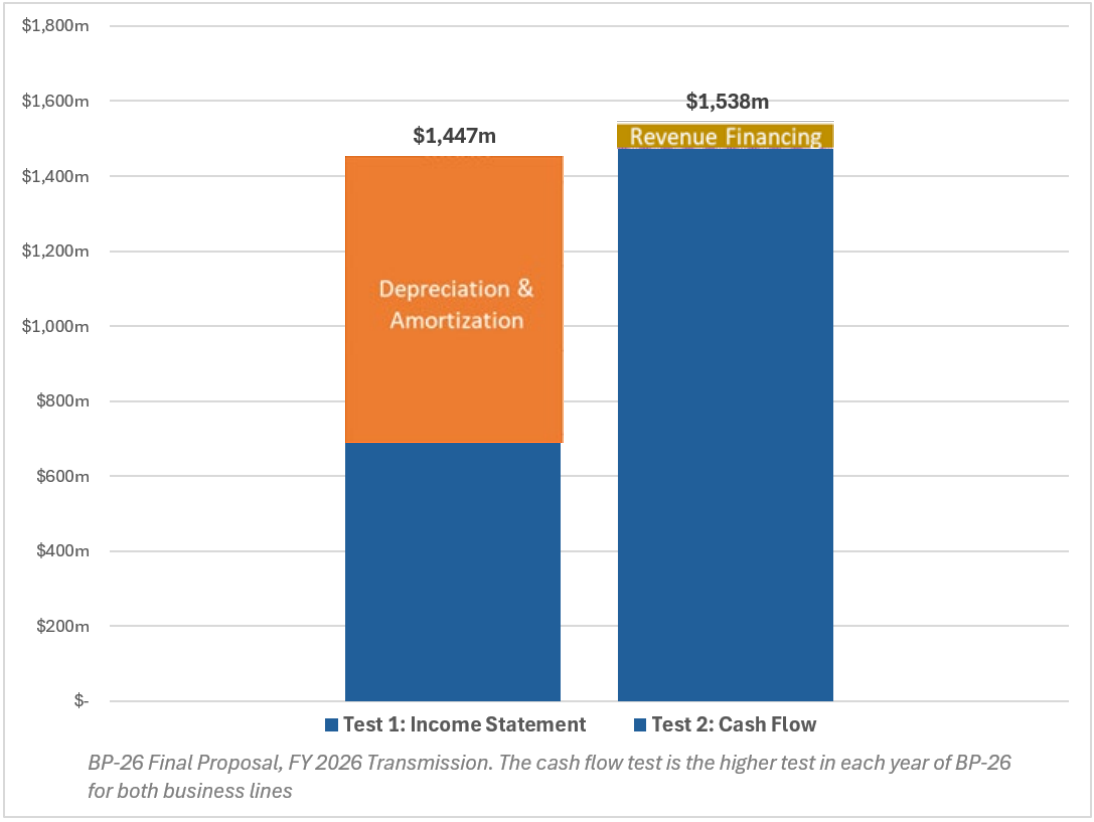


BP-26 Final Proposal, FY 2026 Transmission. The cash flow test is the higher test in each year of BP-26 for both business lines

The revenue requirement is set at the “Higher of” the two tests. The tests are alternative measures of cost recovery; they are not additive.

Core Concepts: The "Higher of" Method
Depreciation & Revenue Financing

- **How It's Reflected in the Tests:**
  - **Depreciation and Amortization Expense –** Recognized as an accrual on the income statement as a non-cash cost of consuming the system (Test 1)
  - **Revenue Financing** – Recognized as cash requirement to finance a portion of the capital program on the Statement of Cash Flows (Test 2)
  - Test 2 in this example sets the total revenue requirement level. Depreciation in Test 1 does not get stacked on top of Revenue Financing.
- **Core Principle:** Revenue Financing and depreciation are not additive as they are recognized on different financial statements and in different tests



BP-26 Final Proposal, FY 2026 Transmission. The cash flow test is the higher test in each year of BP-26 for both business lines

Depreciation and Revenue Financing are recognized on different financial statements and tests. Because the tests are not additive, customers are not charged for both.

The Two Tests with BP-26 Figures: Transmission, FY 2026

BP-26 Final Proposal — $ in millions

Income Statement - Test 1		Cash Flow - Test 2	
O&M and other operating expenses	811	O&M and other operating expenses	811
Net interest expense	166	Net interest expense	166
Depreciation and amortization	423	Other expenses not requiring cash	65
		Repayment of long-term debt	257
		Repayment of capital leases	114
		Revenue financing	125
Total — accrual basis	**1,399**	**Total — cash basis**	**1,538**

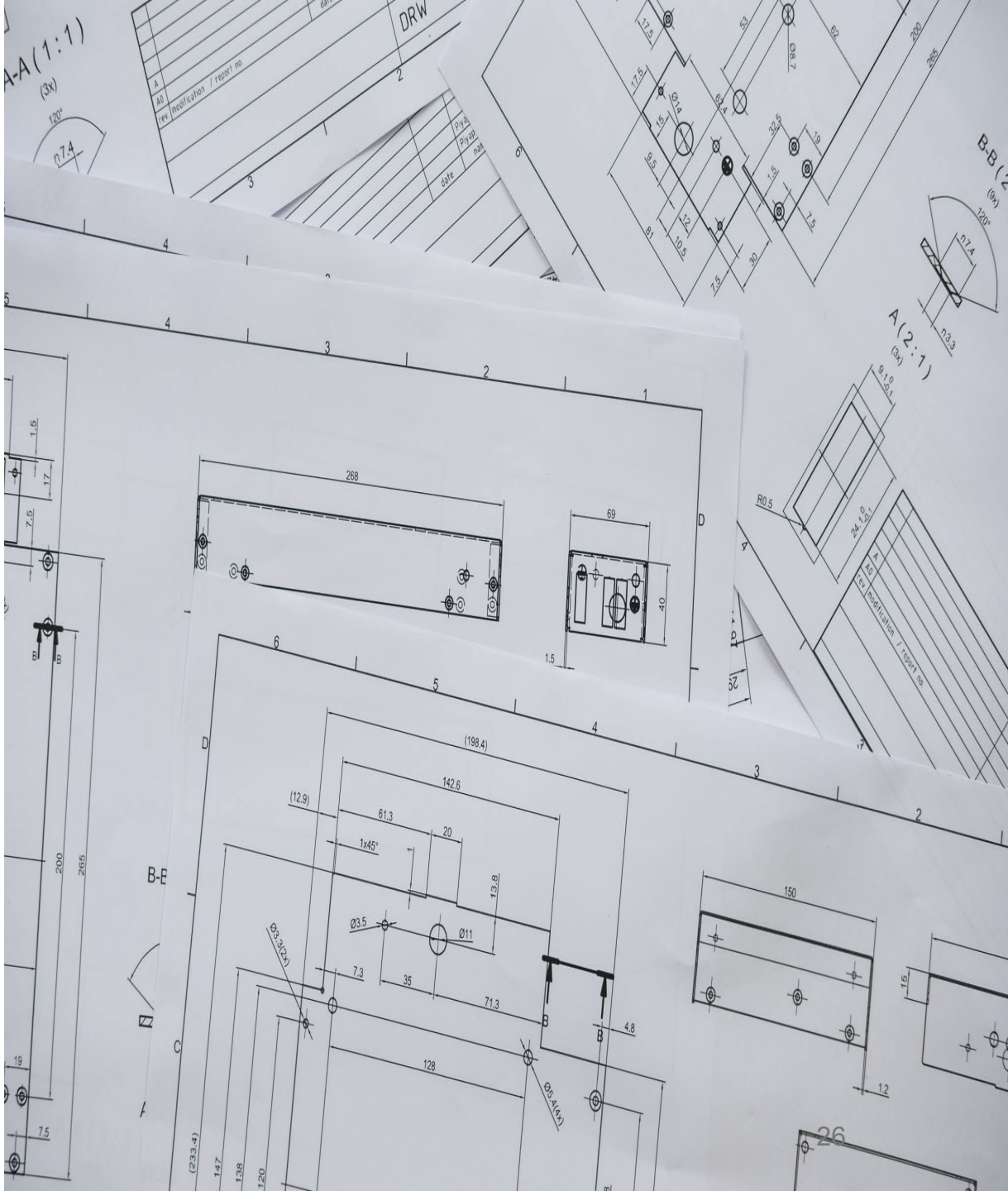
Revenue requirement = the higher of the two: $1,538 million. The $139 million difference ($1,538m - $1,399m) is reported as Minimum Required Net Revenues (MRNR) — a calculated result that equalizes the Income Statement Test to the Cash Flow Test.

Proposed Modification

This section details the proposed modification regarding treatment of revenue financing within the “Higher of” methodology.

The approach offsets or removes depreciation expense tied to revenue financing from the income statement test (Test 1) while leaving the cash test (Test 2) unchanged.

The impact to the “Higher of” test and offset amount shown on the next two slides is consistent across the options analyzed.



Example: Effect of an Offset Under Current Conditions

Illustrative $50 million offset, FY 2026 Transmission — $ in millions

Income Statement - Test 1		Cash Flow - Test 2	
Current Conditions - accrual basis	1,399	Current Conditions - cash basis	1,538
Depreciation Offset ($50m)	(50)	*Depreciation Offset (N/A in Cashflows)*	-
Total — accrual basis	**1,349**	**Total — cash basis**	**1,538**

Income Statement - Test 1	MRNR	Notes	
Current Conditions	139	*BP-26 Final Proposal MRNR*	
After Depreciation Offset	189	*MRNR increases $50m to equalize Test 1 to Test 2*	
Change to MRNR	**50**		

- Depreciation expense is a non-cash expense. An offset lowers the income statement test (Test 1) but does not change cash requirements (Test 2); scheduled debt repayment and the capital program are unaffected.
- When the cash flow test (Test 2) determines the revenue requirement—as it did for both business lines in each year of BP-26—a depreciation offset does not change the revenue requirement, and no amount is collected twice.

When an Offset Would Affect Rates

Illustrative Transmission scenario ($ in millions) using forced conditions

Income Statement - Test 1		Cash Flow - Test 2	
Forced Condtions - accrual basis	1,627	Forced Conditions - cash basis	1,500
Depreciation Offset ($50m)	(50)	*Depreciation Offset (N/A in Cashflows)*	-
Total — accrual basis	**1,577**	**Total — cash basis**	**1,500**
Notes		**Cash Flow - Test 2**	**Hardwire**
Hardwire under forced conditions		Forced Conditions	127
Hardwire decreases $50m to equalize Test 2 to Test 1		*After Depreciation Offset*	77
		Change to Hardwire	**(50)**

- The income statement test might become the higher test if scheduled debt repayment declined, depreciation expense grew with new plant in service, and revenue financing declined. In such a year, an offset would directly reduce the revenue requirement.

An offset directly reduces customer rates in any future year where the Accrual Test (Income Statement) is higher than total cash obligations

Options

BPA evaluated the status quo and three alternatives.



Options Under Consideration & Assumptions

Four options analyzed: (1) maintain current practice; (2) a Rate Case only offset; (3) a PFIA-style unearned revenue treatment; and (4) a CIAC-style contributed-plant treatment (analyzed at customer request from Workshop 1). BPA is unable implement Option 4 because input information is unavailable.

Assumptions:

- The analysis assumes revenue financing (and PFIA or CIAC amounts, if adopted) is applied to capital as intended (to finance current year capital).
- Rate mechanics use Transmission BP-26 Final Proposal data; the offset is assumed to be amortized beginning with the BP-29 rate period (FY 2029), with the tracked balance starting at zero.
- Credits are amortized over the average asset life consistent with the depreciation study basis and shown in the 2025 Annual Report - Pg. 48.
- The analysis is presented for Transmission. The same treatment would apply to Power, with Power figures developed for the BP-29 initial proposal.
- Any change would apply prospectively and would be proposed and finalized through the BP-29 rate proceeding record.
- Assumes current level of Revenue Financing is carried forward into future years (for analysis purposes only).

Option 1 – Maintain Current Practice

- No change to the methodology. Revenue financing is collected through the cash flow test; assets are depreciated normally; and depreciation expense is added as a source of cash in every year the cash flow test sets rates.
- When the cash flow test governs, the outcome under this option is identical to every other option
- In a future year where the income statement test determines the revenue requirement, depreciation expense on the revenue-financed portion of plant would be included in the revenue requirement with no offsetting credit.
- This option is the baseline the other options are measured against in the comparison that follows.

Option 2 – Rate Case only Offset

- Track the cash collected from revenue financing into a “depreciation offset" account.
- This balance would be amortized over time (matching the average life of the assets) to directly offset and reduce the impact of depreciation expense on customer rates (shown on slide 17).
- Discussed in BP-26 Revenue Financing Rebuttal Testimony.
- External/GAAP financial reporting still requires the full recording of depreciation expense based on the full amount of an asset’s value. This depreciation offset would be a “rate case only” adjustment.

Option 3 – PFIA-Style Treatment

What PFIA normally means

- Existing PFIA is tied to identifiable customer-funded projects.
- Upfront funding is treated as unearned/deferred revenue and recognized over the asset life.
- PFIA-funded projects and associated revenues are excluded from the applicable rate case depreciation/revenue calculations.

How it is modeled here

- Do not assign revenue financing to individual assets for this comparison.
- Use the common portfolio vintage schedule on slide 17.
- Apply the same $2.5M annual credit per $125M vintage to the Income Statement Test.
- Leave the Cash Flow Test unchanged and recalculate MRNR.

If selected for implementation

- Accounting would need to determine whether a portfolio-level deferred revenue framework is permissible.
- Potential financial statement and audit implications make this more complex than Option 2.
- No detailed project or journal-entry build is needed for the current customer-rate comparison.

Modeled customer outcome: identical to Option 2. The distinction is accounting and implementation—not the size of the credit.

Option 4 – CIAC-Style Treatment

What CIAC normally means	How it is modeled here	If selected for implementation
• CIAC generally represents customer/developer funding for specific infrastructure. • The contributed portion is generally excluded from the utility-funded plant/depreciable basis. • BPA does not currently track revenue financing as CIAC by asset.	• Do not reduce individual plant records for this comparison. • Use the common portfolio vintage schedule on slide 17 as a proxy for the depreciation associated with customer funding. • Apply the same $2.5M annual credit per $125M vintage. • Leave the Cash Flow Test unchanged and recalculate MRNR.	**•Unable to Implement – input information unavailable.** **•PFIA is BPA's approach for customer funding specific assets.**

Modeled customer outcome: If BPA had the information available to implement, the outcomes would be identical to Option 2. The distinction is inability to implement.

Depreciation Offset Amortization – All Options

Illustrative: $125 million per year of revenue financing beginning with the BP-29 rate period (FY 2029), amortized over the 51-year estimated average service lives — $ in millions

Rate Year	Amount	Annual credit	FY29	FY30	FY31	FY32	FY33	…FY79
FY 2029	125.0	125.0 ÷ 51 = 2.5	2.5	2.5	2.5	2.5	2.5	2.5
FY 2030	125.0	2.5	—	2.5	2.5	2.5	2.5	2.5
FY 2031	125.0	2.5	—	—	2.5	2.5	2.5	2.5
Total credit against depreciation			2.5	4.9	7.4	9.8	12.3	125.0
Revenue Requirement credit when **Cash Flow - Test 2** is the "Higher-of"			—	—	—	—	—	—
Revenue Requirement credit when **Income Statement - Test 1** is the "Higher-of"			2.5	4.9	7.4	9.8	12.3	125.0

- *Illustrative* amounts use the BP-26 revenue financing level. Each year's revenue financing amounts amortize as a separate vintage over 51 years in this example.
- The credit reduces the revenue requirement only in years the income statement test governs (see slide 7).

Estimated Credits – All Options

Income Statement Driver - Revenue Financing Depreciation Offset Alternatives		
Alternatives	**2029**	**2030**
Current Practice	-	-
Depreciation Offset	**$2.5m**	**$4.9m**
Regulatory Liability (Rate Case only)	$2.5m	$4.9m
PFIA	$2.5m	$4.9m
CIAC	$2.5m	$4.9m

Cash Flow Driver - Revenue Financing Depreciation Offset Alternatives		
Alternatives	**2029**	**2030**
Current Practice	-	-
Depreciation Offset	-	-
Regulatory Liability (Rate Case only)	-	-
PFIA	-	-
CIAC	-	-

- Assumes Revenue Financing at $125m amortized over 51 years, $2.5m annually ($125m / 51 years = $2.5m)
  - *for analysis only*
- Alternatives share the same outcome with the credit being identical across the options
- The credits will only impact rates if the Income Statement test is the driver of the Revenue Requirement
- When the Cash Flow test is the driver, the credit will not change the Revenue Requirement

Preferred Approach

- Adopt Option 2 to offset depreciation associated with revenue financing (Rate Case only offset) prospectively starting in BP-29.
  - This option allows for the lowest implementation cost, lowest complexity solution.
  - Tracking mechanism would start in BP-29 and be tied to the approved revenue financing
  - Credit will only impact rates in years the Income Statement Test is the “Higher-of”.
  - Offsets will get trued up based on actual revenue financing implemented.

Thank You

Comments on This Workshop

- Please share feedback on this workshop to RMFPR@bpa.gov by 11/9.
- Note that feedback will not be posted and direct responses will not be provided.
- Feedback will help inform future workshops.

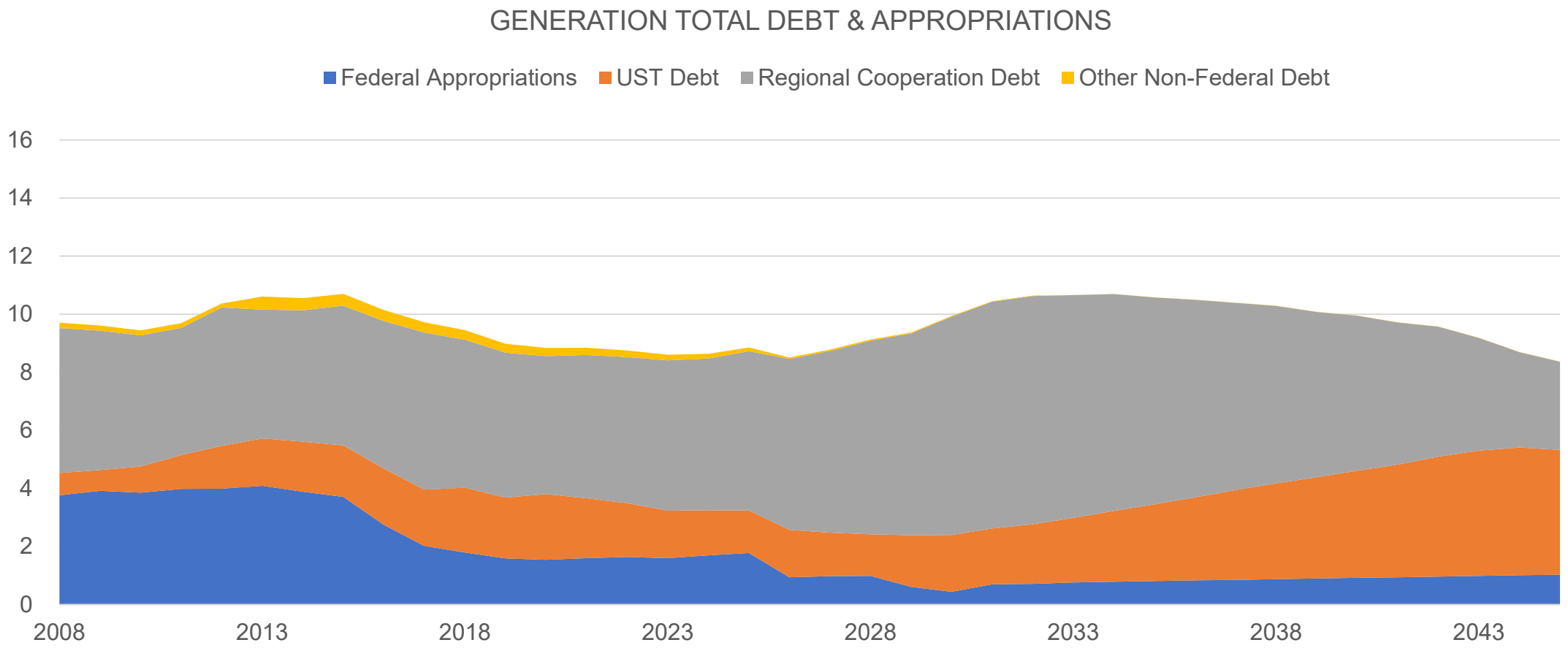


Upcoming Workshop Schedule

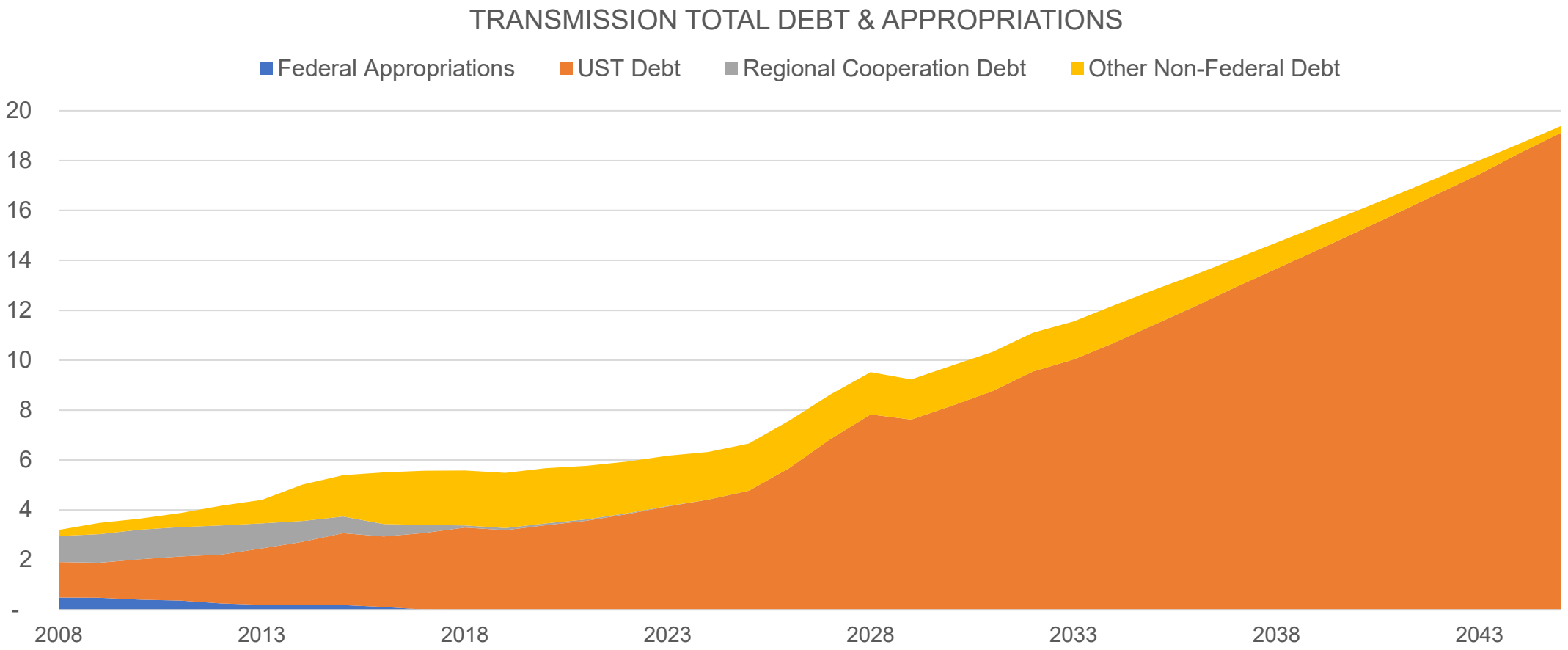
	Date	Meeting	Purpose
☑	8/20	Workshop – Kick Off & Grounding	To formally kick off the Risk Mitigation & Financial Policies Refresh, establish a collaborative foundation with customer partners, and level set all attendees on the project's core focus areas, scope, and timeline.
☑	9/1	Workshop – Analysis & 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.
Next	11/13	Workshop - Draft Policy Framework for ROD Development	To share the draft policy framework and collect stakeholder input on its planned implementation.

Appendix

Appendix - Power's Debt Profile



Appendix – Transmission's Debt Profile



Appendix – Enterprise Wide Debt Profile

