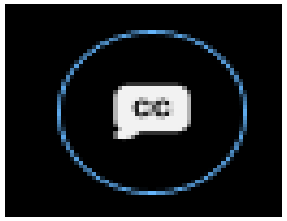
Webex Accessibility tools

To enable Closed Captions



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

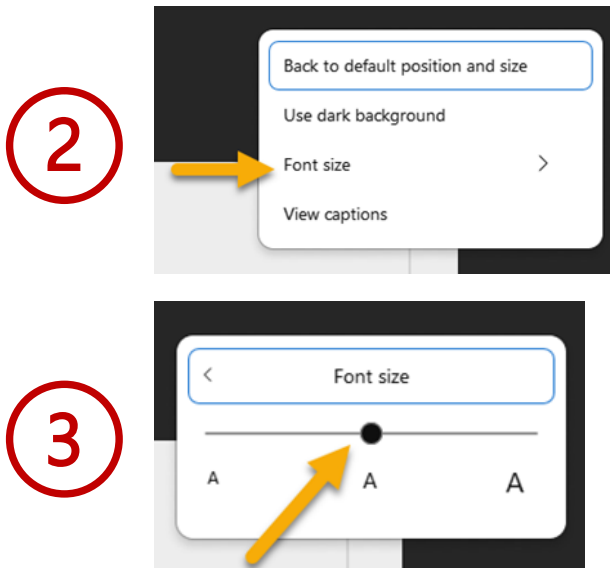
Note: CC is set individually by each person who wants to enable them.

Change font size

Select the **ellipsis** in the lower right

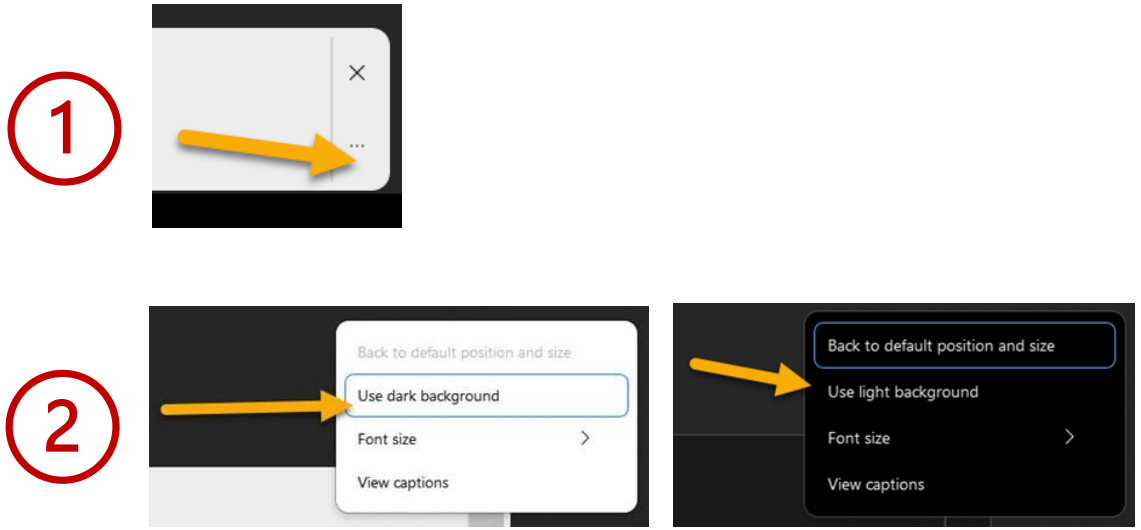
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Use the slider to select the desired size



Change background contrast

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





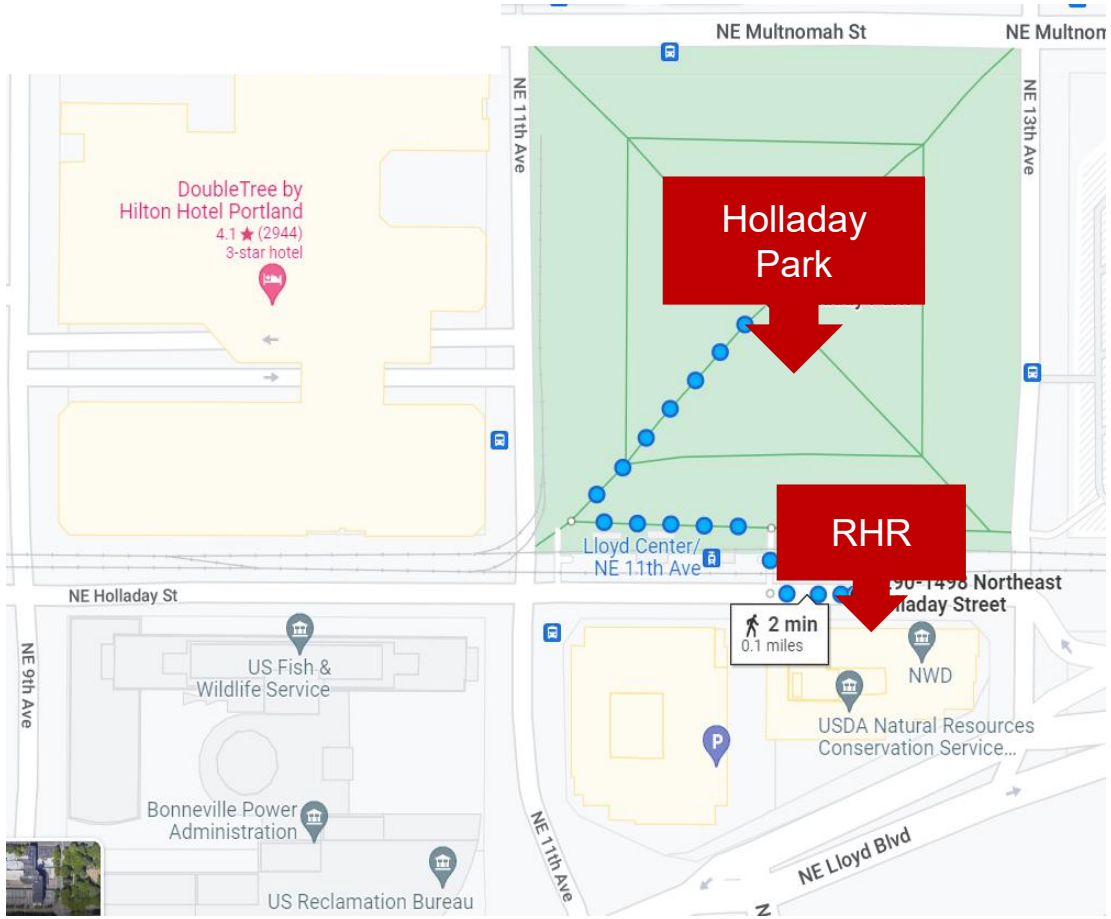
2026 Risk Mitigation & Financial Policies Refresh

Updates and Draft Policy Framework Workshop

November 13, 2026

Safety Moment

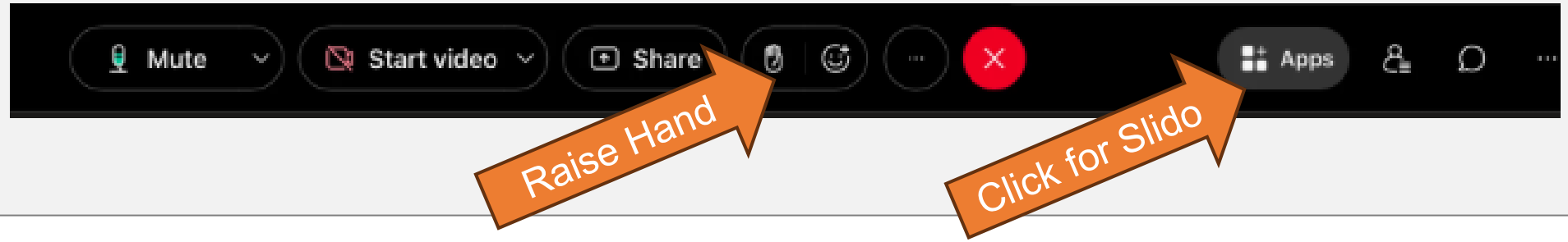
- The Rates Hearing Room has two exits.
- In the event an alarm sounds, please meet at Holladay Park across the street.



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:



Key Project Dates & RMFPR Next Steps

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
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1-Mar	Financial Plan Issued

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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	9:40 AM	SCFP Leverage Draft Proposed Update	Ethan Postrel
9:40 AM	10:00 AM	Higher Of Methodology Draft Proposed Update	Will Rector
10:00 AM	10:15 AM	B R E A K	
10:15 AM	10:35 AM	Cost Management – Draft Program Language	Zach Mandell
10:35 AM	11:30 AM	Liquidity Risk Draft Policy Framework	Damen Bleiler

Note: Start and end times are approximate.

Workshop Objectives

To discuss the **draft financial plan updates** & **policy framework.**



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

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All comments are manually reviewed and posted. Please note that it may take up to two business days for your comment to become visible on the website.



Sustainable Capital Financing Policy (Leverage)

Recap – Evolving BPA's Sustainable Capital Financing Framework

- **Drivers & Scope:**
  - Reassess the Sustainable Capital Financing Policy (SCFP) to balance the long-term rate impacts of debt/fixed costs against near-term rate impacts of revenue financing.
  - Driven by significantly increased Transmission capital plans and commitments made during the BP-26 process.
- **Commercial Evolution Underway – Now is Not the Time to Establish Long-term Targets:**
  - Massive system expansion is underway for Transmission. It is actively designing customer-funded structures, interconnections, and prepayment mechanisms (e.g., RAPID, SPRINT, PLAID, TOS).
  - New models that lean on customer-funded capital can achieve similar balance sheet benefits that blanket revenue financing would.
- **Distinctions between the Business Lines:**
  - While Transmission is expanding rapidly, Power has a flatter capital expenditure profile and is subject to significant volatility (streamflow and prices), which translates to significant volatility in net revenues and reserves for risk.
  - These distinctions suggest different paths for near-term revenue financing approaches for the business lines.

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:** 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.

Draft Proposal – Suspend the Sustainable Capital Financing Policy

- **Transition to a Dynamic Framework:**
  - Suspend the Sustainable Capital Financing Policy, which includes the static 60% enterprise leverage target and the fixed 2040 target date.
  - Replace automatic, fixed-percentage "blanket" revenue financing calculations with rate-case determinations and rate-making agility.
- **Current Thinking—Separate Business Line Approaches:**
  - **Transmission:** Prioritize direct customer-funded models (e.g., upfront prepayments, participant capital) over blanket revenue financing to protect ratepayers by ensuring “growth pays for growth” and preserve U.S. Treasury borrowing capacity.
  - **Power:** Modest revenue financing (10–20%) may be maintained to mitigate volatility, de-risk the balance sheet, and support long-term cost containment.
- **Next Steps:**
  - Rather than relying on a single out-year target, BPA will continuously track and report core health metrics at the Quarterly Business Review or other forums.
  - BPA will reassess overarching balance sheet and leverage goals as commercial models and transmission buildout trajectories mature.

Revenue Requirement “Higher Of” Methodology and Revenue Financing

Recap – Evaluation of Potential Offset Alternatives

- **Concept of an Offset:**
  - When a portion of BPA's capital program is revenue financed, an offset would correspondingly reduce depreciation expense. Thus, an offset would reduce the Accrual/Income Statement test of the "higher of" methodology.
  - Under BPA's "higher of" methodology, an offset will not reduce the revenue requirement when cash needs are determining the revenue requirement. An offset would reduce the revenue requirement when the accrual/income statement test is determining the revenue requirement, and delay when the accrual/income statement test would become dominant.
- **Options Evaluated:**
  - **Option 1 (Current Practice):** No offset
  - **Option 2 (Rate Case Only Offset):** Tracks revenue financing amounts into an offset account, amortized over average asset life, for rate case calculations.
  - **Option 3 (PFIA-Style Treatment):** Treats revenue financing as deferred revenue; presents audit and financial statement complexity.
  - **Option 4 (CIAC-Style Treatment):** Excludes funding from depreciable plant; determined unworkable because required asset-level input data is unavailable.
- **Equal Modeled Rate Impact:** All offset options produce identical modeled rate credits, differing solely by implementation feasibility and accounting treatment.

Draft Proposal – Rate Case Offset

Staff Recommends Option 2 (Rate Case Only Offset)

Rationale

- Offsets depreciation expense when a portion of the capital program is revenue financed.
- Provides the **lowest implementation cost** and **lowest complexity** solution among viable alternatives.

Implementation Mechanics & Timing:

- External GAAP reporting continues standard asset depreciation while the offset remains a "rate case only" mechanism.
- **Prospective Start:** Implementation would begin with the **BP-29 rate period (FY 2029)**, with the tracked balance starting at zero.
- **Tracking & Amortization:** Tracked balance will reflect approved revenue financing and amortize over average service life (e.g., 51 years), subject to true-ups based on actuals.
- **Rate Effect:** Directly reduces the revenue requirement in any year the Income Statement Test governs.
- **Formal Process:** Staff plan to propose this offset for both Power and Transmission revenue requirement in the BP-29 rate proceeding, where a final decision will be made on the record.

BREAK



Cost Management – Draft Program Language

Recap – Drivers for Updating Program Cost Language & Customer Feedback

Sunsetting the Program Costs Goal

- The 2022 Financial Plan goal to hold program costs at or below inflation through FY28 has expired.
- BPA's evolving operational requirements and growth-oriented strategy require a more flexible approach to evaluating and managing future costs.

Stakeholder Feedback

- Stakeholders request retaining an inflation-based measure to promote spending discipline, transparency, and accountability for rate pressures.

Response to Feedback

- A fixed inflation target does not adequately account for changes in workload, infrastructure investment, and other business requirements.
- **Retain inflation as a key performance benchmark.** BPA will develop and report a *nonbinding* composite inflation metric reflecting its cost structure and relevant publicly available indices.
- **Maintain transparency through IPR.** BPA will evaluate and explain proposed expense growth relative to inflation, including the underlying drivers of cost increases.
- **Balance cost discipline with business needs.** Forecast spending must support BPA's operational responsibilities, reliability, and strategic growth.
- **Reinforce accountability.** The IPR public process and Quarterly Business Reviews (QBRs) will provide opportunities to evaluate forecast costs, monitor financial performance, and demonstrate responsible cost management.

*High-level summary of informal feedback. Not a single-stakeholder viewpoint or a representation of all feedback received during the process.

Draft Proposal & Ongoing Transparency Commitments

- **Core Management Principle:**
  - BPA manages program costs to support the lowest possible rates consistent with sound business principles, while fulfilling mission objectives and statutory obligations.
- **Integrated Program Review (IPR) Role:**
  - Serves as the primary public forum for stakeholders to review and influence cost projections prior to rate cases.
  - Explains key cost drivers, changes from prior rate periods, changes relative to inflation benchmarks, and operational/economic factors.
    - BPA will develop and report a composite inflation metric reflecting BPA's cost structure and relevant publicly available economic and industry-specific price indices. This metric will be shared through the Integrated Program Review (IPR) process as a nonbinding benchmark for evaluating expense growth and informing cost-management discussions.
    - BPA welcomes feedback on how BPA can change the IPR publication or workshops to ensure the process meets our stakeholders' needs.
- **Ongoing Accountability via Quarterly Business Reviews (QBR):**
  - BPA maintains ongoing transparency by reporting actual vs. forecast spending and operational target performance each quarter via the QBR (or its successor).

Draft Proposal - 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.

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.

Draft Proposal - FRP & Liquidity Risk Proposals

- **Staff Proposal:** Eliminate the FRP Surcharge and move the Cost Recovery Adjustment Clause (CRAC) threshold to 60 days cash; retain the Reserves Distribution Clause (RDC).
  - The **CRAC calculation** will remain the same.
    - **Power:** Dollar for dollar up to $100M, then 50% recovery up to $300M.
    - **Transmission:** Dollar for dollar up to $100M.
  - **RDC** becomes a mechanical dividend distribution capped at **$80M for Power** and **$60M for Transmission**; triggers when a BU>120 days cash *and* BPA>90 days.
- **Additional Items:**
  - **Rate Setting for 60 Days Cash:** BPA intends to set rates such that forecasts maintain at least 60 days cash by the end of each rate period.
  - **Simplified Revenue Financing Unwinding:** BPA retains the discretion to repurpose revenue financing that was forecasted and included in the rate case revenue requirement to instead support business-line liquidity needs. BPA intends to repurpose revenue financing at the end of the fiscal year when reserves are projected to end below the lower threshold to attempt to avoid or reduce the magnitude of CRAC rate increases.

Structural Symmetry, Scaled Application

- Uses identical structural frameworks for both business lines (60/120 DCOH targets, defined CRAC and RDC).
- Scaled to appropriately reflect the specific operational size and risk profile of each business line.

METRIC	POWER	TRANSMISSION
60 Days Cash on Hand (DCOH)	~$370M	~$140M
Maximum CRAC Cap	≤$300M	≤$100M

Power – Alternatives Considered

After significant analysis, staff narrowed the field to three packages: one proactive measure and two strengthened retroactive measures. Both retroactive designs eliminate the surcharge and keep only the existing CRAC, with its trigger raised to 60 days cash.

PROACTIVE

Secondary Revenue Reduction

$100M PNRR with existing tools

- Offsets the secondary revenue credit in base rates by $100M/yr; cash returned above 120 days cash
- Avg. reserves 117 days cash; 1.7 yrs to recover to 60 days cash
- Targets the root cause of revenue volatility
- $100M/yr up-front base rate increase (net +$5.5M/yr); sizable implementation work

Not recommended

RETROACTIVE

Higher Relief Threshold

CRAC at 60 days cash; RDC at 200 days cash

- Avg. reserves 115 days cash; 2.2 yrs to recover to 60 days cash
- No base rate increase; avg. net rate adjustment +$3.2M/yr
- Most stable rate path – rates change in only 27% of years
- Relief in fewer than 1 year in 10; BPA holds ~$35M more cash without faster recovery

Not recommended

RETROACTIVE

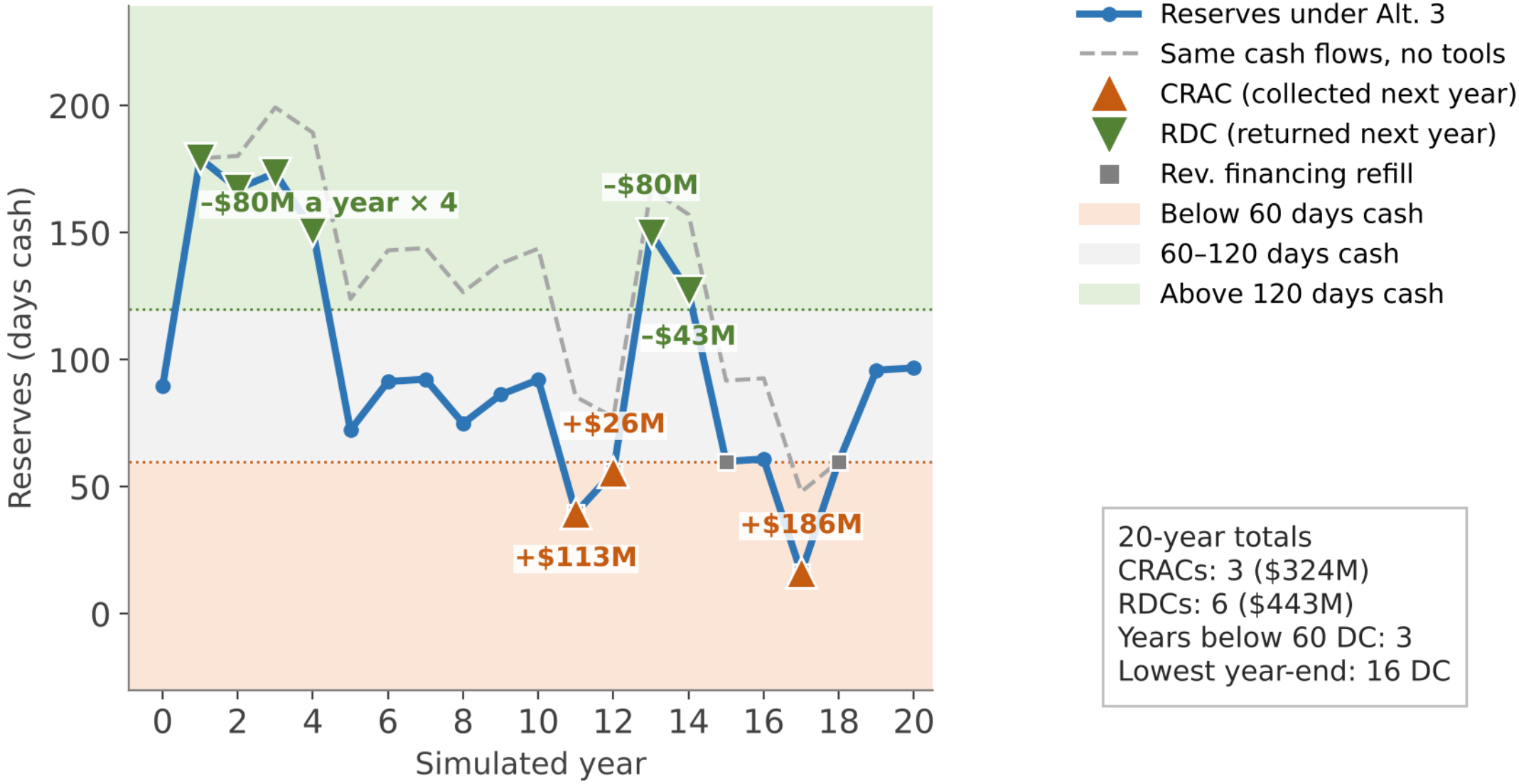
Staff Proposal

CRAC at 60 days cash; RDC at 120 days cash, $80M cap

- Avg. reserves 109 days cash; 2.2 yrs to recover to 60 days cash
- No base rate increase; avg. net rate adjustment –$0.5M/yr
- Rate relief to customers in about 1 of 3 years
- Simple, mechanical design that builds on existing tools

Recommended

Proposed Power Risk Package Performance – Hypothetical 20 Year Scenario



20-year totals
CRACs: 3 ($324M)
RDCs: 6 ($443M)
Years below 60 DC: 3
Lowest year-end: 16 DC

Transmission – Alternatives Considered

Staff is proposing to suspend the Sustainable Capital Financing Policy. Without traditional revenue financing for expansion projects, today's tools leave Transmission at ~75 days cash and ~3.8 years to recover to 60 days cash.

Staff narrowed the alternatives to three retroactive packages. Two eliminate the surcharge and keep only the existing CRAC, raised to 60 days cash.

TWO-TIER

Larger Surcharge

Surcharge at 60 days cash ($68M cap); RDC at 120 days cash ($68M cap)

- Keeps today's structure; CRAC below $0 stays as a backstop
- Avg. reserves 92 days cash; 2.1 yrs to recover (max 3.1)
- Avg. net rate adjustment +$0.1M/yr
- Rate increases in 26% of years; two triggers to administer

Not recommended

SINGLE TRIGGER

Higher Relief Threshold

CRAC at 60 days cash; RDC at 180 days cash

- Avg. reserves 110 days cash; 2.0 yrs to recover (max 2.4)
- Avg. net rate adjustment +$3.4M/yr
- Fewest rate increases, but relief only ~1 year in 8
- Holds more cash without faster recovery

Not recommended

SINGLE TRIGGER

Staff Proposal

CRAC at 60 days cash; RDC at 120 days cash, $60M cap

- Avg. reserves 95 days cash; 2.0 yrs to recover (max 2.75)
- Avg. net rate adjustment +$0.5M/yr – about zero
- Mechanical RDC: relief in ~29% of years through a Dividend Distribution
- Same design as Power – consistent rules across business lines

Recommended

Alignment with Guiding Principles

Guiding Principle	Package Alignment with Guiding Principle
Cognizant of rate pressure and volatility	No up-front base rate increase; brings relief more often than rate increases. • **Power:** net cost of about –$0.5M/yr. Relief provided in 3.4 vs. 2.0 years in 10. • **Transmission:** net cost of about +$0.5M/yr. Relief provided in 2.9 vs 2.2 year in 10.
Balancing proactive and retroactive risk management	Strengthens the retroactive tools for near-term tail risk, paired with forward-looking policy language that BPA intends to set rates to reach 60 days cash by the end of each rate period. Allows for proactive risk mitigation through operational decisions. • **Power:** Does not put costly tools in place to solve volatility that may be addressed through business model changes. • **Transmission:** Restores reserves to ~95 days cash – close to the 96 days revenue financing provided vs. 75 days without this liquidity cushion and recovers to 60 days cash in ~2 years vs. ~4 years today.
Simplification and mechanical implementation	Single trigger: eliminates the surcharge and keeps only the existing CRAC but at 60 days. This stronger and familiar CRAC is paired with a mechanical and capped dividend distribution above 120 days cash. • **Power:** RDC capped at $80M • **Transmission:** RDC capped at $60M
Comprehensive risk mitigation alignment	Both business lines now much closer to middle range, rather than driving toward bottom of range, with speedier recovery, not dependent upon a “good year”. • **Power:** Averages ~109 days cash and recovers to 60 days cash in ~2.2 years. • **Transmission:** Average ~ 95 days cash and recovers to 60 days cash in ~2.0 years.

Thank You

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Appendix

Power – Select Alternatives Considered

	Average RFR + RSF		Recovery Period		Tool Balance			Rate Volatility					
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N
Alternative	Avg. RFR + RSF ($M)	Avg. RFR + RSF (DCOH)	Avg. yrs to recover to 60 DC	Max time below 60 DC (yrs)	CRAC freq.	Surcharge freq.	RDC freq.	Net rate adj. freq.	Net rate adj. avg ($M)	Base rate adj. freq.	Base rate adj. avg ($M)	Yearly rate adj. freq.	Yearly rate adj. avg ($M)
Base - Revenue Financing Proposal	477.3	**77.0**	3.63	5.42	5.8%	33.2%	17.5%	50.7%	-18.9	0.0%	0.0	50.7%	-18.9
Proactive: base-rate tool with existing retroactive tools													
Alternative 1: SRR - $100M Reduction, RDC: 120 DC	726.3	**117.2**	1.68	1.27	0.3%	8.2%	46.0%	100.0%	5.5	100.0%	100.0	54.2%	-94.5
Retroactive only: strengthened retroactive tools													
Alternative 2: Single Trigger; CR: 60DC/RDC 200DC	710.9	**114.7**	2.20	2.48	18.2%	0.0%	9.1%	27.3%	3.2	0.0%	0.0	27.3%	3.2
Alternative 3: Single Trigger; CR: 60DC/RDC 120DC_$80M Cap	676.2	**109.1**	2.19	2.72	20.2%	0.0%	34.0%	54.2%	-0.5	0.0%	0.0	54.2%	-0.5

Alternative 1: Targets the root cause of Power's revenue volatility

Alternative 2: The most stable rate path of the three with a simple, mechanical design that builds on existing tools.

Alternative 3: Net cost to customers of about zero (-$0.5M per year) and no base rate increase. Mechanical design that builds on existing tools and returns funds first before building.

Transmission – Overview of Alternatives Considered

	Average reserves for risk		Recovery			Tool frequency				Average $ per year			
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N
Alternative	Avg. RFR ($M)	Avg. RFR (DCOH)	Avg. yrs to recover to 60 DC	Max time below 60 DC (yrs)	Years below 60 DC	CRAC freq.	Surcharge freq.	RDC freq.	Net rate adj. freq.	Net rate adj. avg ($M)	CRAC avg ($M)	Surcharge avg ($M)	RDC avg ($M)
Base packages													
Base - No Revenue Financing (current tools)	175.9	**74.5**	3.85	6.20	37.7%	7.9%	35.6%	19.7%	55.3%	-2.3	4.1	5.1	-11.5
*Base - Revenue Financing Proposal (reference only) **	*226.6*	*96.0*	*1.15*	*0.33*	*2.0%*	*0.0%*	*1.8%*	*25.0%*	*26.8%*	*-14.0*	*0.0*	*0.2*	*-14.2*
Two-tier: larger surcharge with existing CRAC													
Alternative 1: SC 60DC $68M cap / RDC 120DC $68M cap	216.3	**91.6**	2.14	3.06	25.3%	2.4%	24.0%	27.1%	51.1%	0.1	0.8	11.6	-12.4
Single trigger: CRAC at 60 days cash													
Alternative 2: Single Trigger; CR: 60DC/RDC 180DC	260.0	**110.2**	1.98	2.36	19.0%	18.2%	0.0%	11.9%	30.1%	3.4	10.4	0.0	-7.0
Alternative 3: Single Trigger; CR: 60DC/RDC 120DC_$68M Cap	220.5	**93.4**	1.97	2.77	23.7%	22.5%	0.0%	28.1%	50.6%	0.3	13.1	0.0	-12.7

Alternative 1: Keeps today's structure but raises the surcharge cap from $15M to $68M at 60 days cash, and caps RDC relief at $68M a year above 120 days cash; the CRAC at $0 remains as a backstop.

Alternative 2: Replaces the surcharge with a single CRAC trigger at 60 days cash (capped at $100M a year) and raises the RDC threshold to 180 days cash, so reserves build further before any dividend distribution.

Alternative 3: Uses the same single CRAC trigger at 60 days cash (up to $100M a year) but keeps the RDC at the current 120 days cash threshold, with up to $68M a year returned to customers as a mechanical dividend distribution.