INTEGRATED PROGRAM REVIEW
Transmission Business Line
June 15, 2022
Proposed IPR Expense and Capital Programs
Transmission Business Line

• Transmission Service is responsible for planning, designing, marketing, operating and maintaining approximately 15,000 miles of the Pacific Northwest’s high-voltage transmission assets across multiple states.

• Agency strategic goals

#1 STRENGTHEN FINANCIAL HEALTH
#2 MODERNIZE ASSETS & SYSTEM OPERATIONS
#3 PROVIDE COMPETITIVE POWER PRODUCTS & SERVICES
#4 MEET TRANSMISSION CUSTOMER NEEDS EFFICIENTLY & RESPONSIVELY
#5 VALUE PEOPLE & DELIVER RESULTS
IPR principles:

• Limit forecast cost increases.
• Mission critical work.
• Invest in our people
• Focus on risk-prioritized investments.
• Make investments that provide savings to ratepayers.
Transmission Guidelines

• Proposed expense funding levels held at the rate of inflation to the extent possible however Transmission is facing cost pressures above inflation.

• Transmission focused funding on priority areas to mitigate risks such as wildfire mitigation and cyber security.

• Trade-offs helped to mitigate cost pressures, cost reductions were identified, and personnel will focus on mission critical work.
### Transmission Services - Capital

<table>
<thead>
<tr>
<th>Transmission Asset Category</th>
<th>Actuals 2020 ($Thousands)</th>
<th>Rate Case 2024 ($Thousands)</th>
<th>Proposed IPR 2025 ($Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PFIA</td>
<td>15,626</td>
<td>45,000</td>
<td>37,800</td>
</tr>
<tr>
<td>Other Asset Categories Within Transmission</td>
<td>25,969</td>
<td>84,780</td>
<td>148,000</td>
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<tr>
<td>Transmission Indirects</td>
<td>61,400</td>
<td>53,390</td>
<td>59,432</td>
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<tr>
<td>Corporate Indirects</td>
<td>47,564</td>
<td>46,042</td>
<td>54,815</td>
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<tr>
<td>AFUDC</td>
<td>13,704</td>
<td>15,937</td>
<td>16,500</td>
</tr>
<tr>
<td><strong>Capital Total</strong></td>
<td>370,999</td>
<td>557,149</td>
<td>661,247</td>
</tr>
</tbody>
</table>

*Transmission Asset Category, PFIA, Other Asset Categories Within Transmission, Transmission Indirects, Corporate Indirects, AFUDC*
IPR FY 2024-25 Average - Capital

<table>
<thead>
<tr>
<th></th>
<th>FY2022-23 Average</th>
<th>FY2024-25 Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$569 Million</td>
<td>$658 Million</td>
</tr>
</tbody>
</table>

- **Transmission Asset Category**: 53% of the total capital
- **Other Asset Categories Within Transmission**: 21%
- **PFIA**: 6%
- **Transmission Indirects**: 9%
- **Corporate Indirects**: 8%
- **AFUDC**: 3%
Transmission Programs

- Transmission Commercial Activities
- Transmission Asset Management
- Transmission Operations
- Enterprise Services
Transmission Commercial Activities

Mission
The Commercial Activities provides leadership and direction to standardize and streamline products, rules and strategies to satisfy BPA commercial objectives and customer needs. The Commercial Activities also strives to optimize current and future opportunities and efficiencies to support over 300 customers resulting in an average annual revenues of $1.2 billion.
Transmission Commercial Activities

<table>
<thead>
<tr>
<th>Year</th>
<th>Actuals</th>
<th>Rate Case</th>
<th>Proposed IPR</th>
<th>Average Rate Case</th>
<th>Average Proposed IPR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>59,457</td>
<td>50,406</td>
<td>56,470</td>
<td>57,541</td>
<td>49,549</td>
</tr>
<tr>
<td>2021</td>
<td>50,406</td>
<td></td>
<td>57,541</td>
<td></td>
<td>50,854</td>
</tr>
<tr>
<td>2022</td>
<td>56,470</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>57,541</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td></td>
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<tr>
<td>2025</td>
<td></td>
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<tr>
<td>2022-2023</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>2024-2025</td>
<td></td>
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</tr>
</tbody>
</table>

($Thousands)

- General Administrative
- Comm Act Exec & Admin Svcs
- Leased Facilities
- Transmission Sales
- Business Strategy and Assessment
- Other (programs < $3m Proposed IPR)
Transmission Commercial Activities

- FY 24/25 average proposed levels: $50 million
- Change from BP-22 rate case: ($7M)

- Program Objectives in 2024 and 2025:
  - Design and Offer High Quality Services
  - Align Service Performance Expectations
  - Capture Revenue and Mitigate Commercial Risk
  - Manage the Business Interfaces with Customers
Transmission Commercial Activities

- Outcomes and impacts of proposed spending levels:
  - Core work
  - Efficiency improvements
  - Strategic initiatives
  - Staffing levels held flat which will provide response time similar to FY22/23 or slightly reduced dependent on the increase in customer requests and contract actions
Transmission Asset Management

Mission

Transmission Services will manage its assets to achieve safety, reliability, and availability and adequacy standards and maximize economic value for the region. It will use efficient and transparent practices that are effective in managing risks and delivering results.
Objective: Align with Institute of Asset Management (IAM) best practices

- Risk based planning and prioritization
- Financial effectiveness
- Technological obsolescence and aging infrastructure
- Compliance
# Transmission Asset Management - Capital

## Proposed IPR

<table>
<thead>
<tr>
<th>Transmission Asset Category</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
<th>2030</th>
<th>2031</th>
<th>2032</th>
<th>2033</th>
</tr>
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<tbody>
<tr>
<td>PFIA</td>
<td>38</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>31</td>
</tr>
<tr>
<td>Other Asset Categories Within Transmission</td>
<td>148</td>
<td>131</td>
<td>95</td>
<td>69</td>
<td>75</td>
<td>72</td>
<td>71</td>
<td>72</td>
<td>72</td>
<td>74</td>
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<tr>
<td>Transmission Indirects</td>
<td>59</td>
<td>60</td>
<td>60</td>
<td>61</td>
<td>61</td>
<td>61</td>
<td>61</td>
<td>61</td>
<td>62</td>
<td>62</td>
</tr>
<tr>
<td>Corporate Indirects</td>
<td>55</td>
<td>57</td>
<td>58</td>
<td>59</td>
<td>61</td>
<td>61</td>
<td>63</td>
<td>65</td>
<td>66</td>
<td>67</td>
</tr>
<tr>
<td>AFUDC</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td><strong>Capital Total</strong></td>
<td>661</td>
<td>655</td>
<td>630</td>
<td>610</td>
<td>621</td>
<td>611</td>
<td>614</td>
<td>601</td>
<td>601</td>
<td>604</td>
</tr>
</tbody>
</table>

## Capital Outyears

<table>
<thead>
<tr>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
<th>2030</th>
<th>2031</th>
<th>2032</th>
<th>2033</th>
</tr>
</thead>
<tbody>
<tr>
<td>661</td>
<td>655</td>
<td>630</td>
<td>610</td>
<td>621</td>
<td>611</td>
<td>614</td>
<td>601</td>
<td>601</td>
<td>604</td>
</tr>
</tbody>
</table>
Transmission Asset Management

- **FY 24/25 average proposed levels:**
  - Expense: $329 million
  - Capital: $658 million

- **Change from BP-22 rate case:**
  - Expense: $41 million increase
  - Capital: $89 million increase

- **Program Objectives in 2024 and 2025:**
  - Maintenance and capital replacements
  - Increasing execution throughput
  - Continuous improvement of data, analytics and processes across the asset lifecycle
Transmission Asset Management

• Outcomes and impacts of proposed spending levels:

  – Enables Asset Management maturity as a result of maturing risk based planning, metrics and prioritization
  – Prioritized funding to support advances in the cyber security program, expanded wildfire mitigation efforts and the Grand Coulee asset transfer
  – Trade-offs affected expense investments in access roads and vegetation management. No significant expense investment in seismic hardening
Transmission Operations

Mission

Transmission Operations is responsible for the safe, reliable operation and dispatch of the high-voltage transmission system and interconnected generation. Transmission Operations staff support initiatives providing planning, scoping, and project management activities that lead to improvements in the tools available for the reliable operation of BPA’s transmission system.
Transmission Operations

- **FY 24/25 average proposed levels:**
  - Expense: $77 million

- **Change from BP-22 rate case:**
  - Expense: $12 million increase

- **Program Objectives in 2024 and 2025:**
  - Deliver Generation to Load
  - Conduct Performance Analysis
Transmission Operations

• Outcomes and impacts of proposed spending levels:
  – Maintain current staffing levels to support BPA’s initiatives including staffing of an EIM desk
  – Prioritized critical expenditures to protect safety and reliability
  – Trade-offs resulted in reduced support, which may cause delays in project work (including customer projects) and in reporting compliance and metrics, as well as decreased engagement in industry forums
Enterprise Services
Enterprise Services

- FY 24/25 Average proposed levels: $138 million
- Change from BP-22 rate case: $34 million
- Internal support consists of two separate programs, “Additional Post Retirement Benefits Contributions” and “Enterprise Services General and Administrative” that are included in Transmission’s revenue requirements.
- The Enterprise Services G&A funding levels are costs not direct charged to Transmission’s program plans and are determined by the level of service required to support the business units.
- Proposed funding levels for Agency Services have increased from the BP-22 funding levels and discussed at the IPR Kick-off session and IT session.

### Enterprise Services' G&A Allocations ($Thousands)

<table>
<thead>
<tr>
<th></th>
<th>Actuals 2020</th>
<th>Actuals 2021</th>
<th>Rate Case 2022</th>
<th>Rate Case 2023</th>
<th>Proposed IPR 2024</th>
<th>Proposed IPR 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise Services’ G&amp;A Allocations</td>
<td>83,693</td>
<td>91,535</td>
<td>90,589</td>
<td>91,730</td>
<td>117,564</td>
<td>121,495</td>
</tr>
<tr>
<td>Post-retirement benefits</td>
<td>15,979</td>
<td>17,629</td>
<td>12,607</td>
<td>12,952</td>
<td>18,470</td>
<td>18,470</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>99,671</strong></td>
<td><strong>109,165</strong></td>
<td><strong>103,195</strong></td>
<td><strong>104,681</strong></td>
<td><strong>136,034</strong></td>
<td><strong>139,965</strong></td>
</tr>
</tbody>
</table>
In Summary

Agency strategic goals

#1 Strengthen Financial Health
#2 Modernize Assets & System Operations
#3 Provide Competitive Power Products & Services
#4 Meet Transmission Customer Needs Efficiently & Responsively
#5 Value People & Deliver Results
QUESTIONS?
FINANCIAL DISCLOSURE

This information was publicly available on June 9, 2022, and contains information not sourced directly from BPA financial statements.
THANK YOU