INTEGRATED PROGRAM REVIEW
Kickoff – June 14, 2022
INTRODUCTIONS

Darren Heim, MANAGER, FINANCIAL PLANNING AND ANALYSIS, ACTING
# AGENDA

<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
<th>Speaker</th>
</tr>
</thead>
</table>
| 1:05 – 1:10 | Introductions                | Darren Heim  
Manager, Financial Planning & Analysis, Acting                          |
| 1:10 – 1:25 | Program Costs Overview       | John Hairston  
Administrator and CEO                                                    |
| 1:25 – 1:45 | Power Services                | Suzanne Cooper  
Senior VP of Power Services                                                |
| 1:45 – 2:05 | Transmission Services         | Richard Shaheen  
Senior VP of Transmission Services                                         |
| 2:05 – 2:15 | Chief Administrative Office   | Robin Furrer  
Chief Administrative Officer                                               |
| 2:15 – 2:25 | Chief Workforce and Strategy Office | Dan James  
Chief Workforce and Strategy Officer                                      |
| 2:25 – 2:35 | Corporate Services            | Marcus Harris  
Executive VP and Chief Financial Officer, Acting                          |
| 2:35 – 2:45 | Next Steps                    | Darren Heim  
Manager, Financial Planning & Analysis, Acting                            |
| 2:45 – 4:00 | Question and Answer           | Darren Heim  
Manager, Financial Planning & Analysis, Acting                            |
PROGRAM COSTS OVERVIEW

John Hairston, ADMINISTRATOR and CEO
Cost priorities in BP-24

- Invest in the workforce
- Generation resource operations and maintenance
- Information technology and cybersecurity
- Fish and Wildlife program obligations
- Wildfire mitigation
- Grand Coulee asset swap
Cost management context
### BP-24 IPR Proposed Spending Levels

<table>
<thead>
<tr>
<th>($millions)</th>
<th>BP-22 Average</th>
<th>BP-24 IPR Proposed Average</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>1,304.2</td>
<td>1,402.7</td>
<td>98.5</td>
</tr>
<tr>
<td>Transmission</td>
<td>514.5</td>
<td>594.5</td>
<td>80.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,818.7</strong></td>
<td><strong>1,997.2</strong></td>
<td><strong>178.5</strong></td>
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</table>
POWER SERVICES
Suzanne Cooper, SENIOR VICE PRESIDENT OF POWER SERVICES
Power Services proposes to hold IPR costs slightly below the rate of inflation with an increase of $98.5 million per year compared to BP-22 rate case.

- Power Services is committed to BPA’s cost-management objective.
- Expenses are prioritized to support optimize and modernize generating assets, support new market transformation activities, and invest in our workforce.
- Capital spending is set to achieve safety and high reliability, availability and adequacy standards, and to maximize economic value to the region.
FY 2024–25 AVERAGE - Expense

<table>
<thead>
<tr>
<th></th>
<th>FY2022-23 Average</th>
<th>FY2024-25 Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$1,304 Million</td>
<td>$1,403 Million</td>
</tr>
<tr>
<td>Asset Management</td>
<td>75%</td>
<td></td>
</tr>
<tr>
<td>operations</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Enterprise Services G&amp;A</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Commercial Activities</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>Actuals</td>
<td>Rate Case</td>
</tr>
<tr>
<td>------------</td>
<td>---------</td>
<td>-----------</td>
</tr>
<tr>
<td>2020</td>
<td>912</td>
<td>970</td>
</tr>
<tr>
<td>2021</td>
<td>970</td>
<td>971</td>
</tr>
<tr>
<td>2022</td>
<td>971</td>
<td>990</td>
</tr>
<tr>
<td>2023</td>
<td>990</td>
<td>1,020</td>
</tr>
<tr>
<td>2024</td>
<td>1,020</td>
<td>1,088</td>
</tr>
<tr>
<td>2025</td>
<td>1,088</td>
<td>1,088</td>
</tr>
<tr>
<td>2022-2023</td>
<td>912</td>
<td>1,020</td>
</tr>
<tr>
<td>2024-2025</td>
<td>970</td>
<td>1,088</td>
</tr>
</tbody>
</table>

Legend:
- Non-Generation Operations
- Enterprise Services G&A
- Commercial Activities
- Operations
- Asset Management

$ in Millions
Priorities

#1 Strengthen Financial Health

- Maintain cost management

#2 Modernize Assets & System Operations

- Invest in revenue producing assets
- Optimize system operations

#3 Provide Competitive Power Products & Services

- Maintain competitiveness

#5 Value People & Deliver Results

- Invest in our people
Cost Pressures & Risks

- Fed Hydro O&M
- Columbia Generating Station O&M
- Internal Costs
  - Increasing workforce costs for Power and Corporate
TRANSMISSION SERVICES

Richard Shaheen, SENIOR VICE PRESIDENT OF TRANSMISSION SERVICES
Transmission Services proposes an increase of $80M per year compared to BP-22 rate case which is $34.7M above the inflationary target.

- Transmission Services is committed to BPA’s cost-management objective but is facing greater cost pressures above inflation. Most of the $34.7M will support critical investments in:
  - Wildfire mitigation
  - Cybersecurity and IT systems
  - Grand Coulee asset transfer
  - Rising labor costs

- Capital spending is set to achieve safety and high reliability, availability and adequacy standards, and to maximize economic value to the region.
FY 2024–25 AVERAGE - Expense

<table>
<thead>
<tr>
<th></th>
<th>FY2022-23 Average</th>
<th>FY2024-25 Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$515 Million</td>
<td>$595 Million</td>
</tr>
</tbody>
</table>

- Asset Management 55%
- Enterprise Services G&A 23%
- Operations 13%
- Commercial Activities 9%
- Proposal Costs 9%
### TRANSMISSION ASSET CATEGORY

<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></td>
<td></td>
<td>PFIA</td>
<td>PFIA</td>
<td>PFIA</td>
<td>PFIA</td>
</tr>
<tr>
<td>2020</td>
<td>207</td>
<td>259</td>
<td>312</td>
<td>345</td>
<td>320</td>
</tr>
<tr>
<td>2021</td>
<td>14</td>
<td>48</td>
<td>85</td>
<td>38</td>
<td>46</td>
</tr>
<tr>
<td>2022</td>
<td>16</td>
<td>46</td>
<td>53</td>
<td>148</td>
<td>54</td>
</tr>
<tr>
<td>2023</td>
<td>16</td>
<td>46</td>
<td>54</td>
<td>131</td>
<td>45</td>
</tr>
<tr>
<td>2024</td>
<td>17</td>
<td>55</td>
<td>59</td>
<td>347</td>
<td>54</td>
</tr>
<tr>
<td>2025</td>
<td>17</td>
<td>57</td>
<td>60</td>
<td>347</td>
<td>60</td>
</tr>
<tr>
<td>2022-2023</td>
<td>16</td>
<td>46</td>
<td>54</td>
<td>347</td>
<td>45</td>
</tr>
<tr>
<td>2024-2025</td>
<td>17</td>
<td>56</td>
<td>60</td>
<td>346</td>
<td>41</td>
</tr>
</tbody>
</table>
**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%
- **PFIA**: 6%
- **Corporate Indirects**: 8%
- **Other Asset Categories Within Transmission**: 21%
- **Transmission Indirects**: 9%
- **AFUDC**: 3%

*Graph showing the capital distribution for FY2022-23 and FY2024-25.*
PRIORITIES

1. Strengthen Financial Health: Cost Management
4. Value People & Deliver Results: Invest in our people
Cost Pressures & Risks

• Internal Costs
  – Increasing workforce costs
  – Increasing corporate costs

• External Costs
  – Supply Chain uncertainty
  – Inflation uncertainty
CHIEF ADMINISTRATIVE OFFICE

Robin Furrer, CHIEF ADMINISTRATIVE OFFICER
CAO Programs proposes an increase of $43M per year compared to BP-22 rate case.

- The Chief Administrative Office (CAO) is committed to BPA’s cost-management objective and is facing cost pressures and service requests above the rate of inflation.
- Critical investments in BP-24 include:
  - Cybersecurity and IT systems
  - Physical Security and Continuity of Operations
  - Grand Coulee asset transfer
  - Implementing Executive Order 14057 - Sustainability
- Capital spending is set to achieve safety, security and high reliability, availability and adequacy standards, and to maximize economic value to the region.
CAO FY 2024-25 AVERAGE

<table>
<thead>
<tr>
<th></th>
<th>FY2022-23 Average</th>
<th>FY2024-25 Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$209 Million</td>
<td>$252 Million</td>
</tr>
</tbody>
</table>

- Information Technology: 49%
- Workplace Services: 24%
- Supply Chain Services: 16%
- Security & Continuity of Ops: 7%
- Safety: 3%
- Program Management Office: 1%
The amounts in this chart are included in the Power and Transmission program totals and are not additive to the total agency spending proposal.
The amounts in this chart are included in the Power and Transmission program totals and are not additive to the total agency spending proposal.
CHIEF WORKFORCE AND STRATEGY

Dan James, CHIEF WORKFORCE AND STRATEGY OFFICER
The new Chief Workforce and Strategy Office:

- Chief Culture Office
- Civil Rights and Equal Employment Opportunity Office
- Communications
- Human Resources Service Center
- Technology Innovation and Strategy Office
Chief Workforce and Strategy Office is proposing increasing costs by $8 million compared to BP-22.

- Approximately $5 million of projected increase represents the expected cost with inflation of additional staffing and resources required to execute the CWSO’s mission.
- Additional $3 million is forecast in wage inflation from staff and resources that existed prior to the re-organization and creation of new functions.
- Initial Publication includes more information on the CWSO organizational costs and allocation methodologies.
CWSO FY 2024-25 AVERAGE

<table>
<thead>
<tr>
<th></th>
<th>FY2022-23 Average</th>
<th>FY2024-25 Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$27 Million</td>
<td>$36 Million</td>
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</table>
CORPORATE SERVICES

Marcus Harris, EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER, ACTING
<table>
<thead>
<tr>
<th>Corporate Services Core Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Office</strong></td>
</tr>
<tr>
<td>Acts as liaisons and collaborates with BPA management and staff, customers, federal, state, local governments and elected officials, federally-recognized tribal government entities, regional constituents and public stakeholders</td>
</tr>
<tr>
<td><strong>Business Transformation Office</strong></td>
</tr>
<tr>
<td>Supporting key strategic initiatives</td>
</tr>
<tr>
<td>Program and change management activities</td>
</tr>
<tr>
<td><strong>Compliance, Audit and Risk Management</strong></td>
</tr>
<tr>
<td>FERC compliance and NERC standards of conduct compliance</td>
</tr>
<tr>
<td>Internal policy management</td>
</tr>
<tr>
<td>OMB Circular A-123 compliance</td>
</tr>
<tr>
<td>Information governance, privacy compliance, and FOIA response</td>
</tr>
<tr>
<td>Fraud risk management</td>
</tr>
<tr>
<td>Regulatory compliance certification and reporting</td>
</tr>
<tr>
<td>Compliance remediation tracking and reporting</td>
</tr>
</tbody>
</table>
## Corporate Services Core Functions

| Finance                  | FCRPS commercial financial statements and federal financial reporting.  
|                         | FCRPS commercial and federal budgets, and rate case revenue requirements.  
|                         | ~$14 billion debt portfolio, ~$1 billion cash and investment portfolio, and ~$500 million CGS decommissioning trust fund portfolio.  
|                         | Analytical services in treasury, accounting, and budget operations  
|                         | Financial systems operation and maintenance.  
| Chief Operating Office   | Customer billing  
|                         | Asset management  
|                         | Load forecasting  
|                         | Metering  
| General Counsel         | Provides legal services on Power and Transmission services  
|                         | Natural Resources, Fish & Wildlife, NEPA, Environmental  
|                         | Personnel, financial matters, procurement, torts, FOIA, issues relating to BPA's authority to incur obligations, make expenditures, issue bonds to the US Treasury  

Corporate Services FY 2024–25 AVERAGE

<table>
<thead>
<tr>
<th></th>
<th>FY2022-23 Average</th>
<th>FY2024-25 Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$61 Million*</td>
<td>$71 Million*</td>
</tr>
</tbody>
</table>

* These BP24 cost projections reflect adjustments for reorganizations and reductions in Grid Mod spending in order to make them comparable to BP22.
Corporate Services is proposing increasing costs by $10 million compared to BP-22.

- Corporate Services comprises all the Corporate organizations with the exception of the CAO and the new CWSO office.
- Corporate Services represents approximately 3.6% of total IPR costs.
- Approximately half of costs allocated to Power and half to transmission.
- Corporate Services costs are predominately people driven, roughly 300 full time federal employees and 30 contractors.
- Funding priorities for Corporate Services are to fund people on board, with a few additions in key risk areas to add or enhance mission delivery.
- Also fund rising cost of Transmission property insurance and Nuclear insurance premium.
• Finance Modernization initiative is still in the scoping phase at this time.

• This effort is expected to be a portfolio project focused on Finance systems and processes and upgrades designed to modernize BPA’s finance function.

• The Finance Modernization initiative is strategic in nature and will be designed with an Enterprise Architecture lens.
NEXT STEPS

Darren Heim, MANAGER, FINANCIAL PLANNING AND ANALYSIS, ACTING
• June 9
  – BP-24 IPR initial publication released

• June 14 – June 16
  – Kickoff and individual program workshops

• June 17 – July 18
  – Opportunity to comment on expense and capital projected cost proposals for FY 2024 and 2025

• Early October
  – BP-24 IPR closeout report published with final projected costs
## WORKSHOP SCHEDULE

<table>
<thead>
<tr>
<th></th>
<th>TUESDAY</th>
<th>WEDNESDAY</th>
<th>THURSDAY</th>
<th>MONDAY</th>
<th>FALL</th>
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<tbody>
<tr>
<td><strong>Date</strong></td>
<td>JUNE 14</td>
<td>JUNE 15</td>
<td>JUNE 16</td>
<td>JULY 18</td>
<td>2022</td>
</tr>
<tr>
<td><strong>MORNING</strong></td>
<td></td>
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<td></td>
<td>Close of IPR</td>
<td>Release of IPR</td>
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<tr>
<td>Time</td>
<td>9:00 - 11:00 AM</td>
<td>9:00 - 10:30 AM</td>
<td>10:30 - Noon</td>
<td>Public Comment Period</td>
<td>Close-Out Letter and Final Report</td>
</tr>
<tr>
<td>Topic</td>
<td>Federal Hydropower Expense &amp; Capital</td>
<td>Fish &amp; Wildlife Expense &amp; Capital</td>
<td>Information Technology Expense &amp; Capital</td>
<td></td>
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</tr>
<tr>
<td>Time</td>
<td>11:00 - Noon</td>
<td></td>
<td></td>
<td>Release of IPR</td>
<td></td>
</tr>
<tr>
<td>Topic</td>
<td>Energy Efficiency</td>
<td></td>
<td></td>
<td>Public Comment Period</td>
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<tr>
<td><strong>AFTERNOON</strong></td>
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<td>Close-Out Letter and Final Report</td>
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</tr>
<tr>
<td>Time</td>
<td>1:00 - 4:00 PM</td>
<td>1:00 - 4:00 PM</td>
<td>1:00 - 2:30 PM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Topic</td>
<td>Kick-off</td>
<td>Transmission Expense &amp; Capital</td>
<td>Columbia Generating Station</td>
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Comment period open June 17 – July 18

Comments can be submitted:

- Online at www.bpa.gov/comment.
- By mail to BPA, P.O. Box 14428, Portland, OR 97293

Link to SAMPs webpage: www.bpa.gov/about/finance/strategic-asset-management-plans

- SAMPs comments can be made at www.bpa.gov/comment.
QUESTION AND ANSWER
BP-24 IPR Initial Publication is available at www.bpa.gov/about/finance/bp-24-ipr

Questions?

Send questions to BPAFinance@bpa.gov. Answers will be posted by July 1 at www.bpa.gov/about/finance/bp-24-ipr
FINANCIAL DISCLOSURE

This information was publicly available on June 13, 2022, and contains information not sourced directly from BPA financial statements.