Nov. 7 QBR FOLLOW-UP QUESTIONS

What is the difference in the level of reserves reported in the Nov. 7, 2018, slide-deck (slide 17) than they were during the Sept. 28, 2018, reserves distribution clause workshop (slide 6)?

Specifically, the Sept. 28 workshop materials determined that no reserves distribution would be applied in 2019 because the third quarter reserves forecast was $601 million for the agency, $129 million for Power and $471 million for Transmission. The Nov. 7 QBR materials show $840 million for the agency, $191 million for Power and $648 million for Transmission.

Now that the reserves levels have increased above the agency threshold, will a reserves distribution clause trigger for 2019?

The financial reserves levels in the Nov. 7 Quarterly Business Review were based on total financial reserves, both reserves for risk and reserves not for risk.

The financial reserves posted in the Sept. 28 reserves distribution clause workshop were just financial reserves for risk. While reserves for risk are a good indicator for when a RDC may trigger, the RDC triggers off of accumulated calibrated net revenues as outlined in the BP-18 Rate Case. This was depicted on slide 6. This was the final decision to not trigger a RDC for FY 2019. The timing and threshold for when BPA could trigger a RDC for FY 2020 will be determined in the BP-20 Rate Case.

BPA did not release a breakout of reserves for risk and reserves not for risk at the Nov. 7 QBR. Michelle Manary said the following about them in the QBR:

"Days cash on hand indicates the number of days BPA can pay its operating expenses, given the amount of financial reserves, basically cash, available. As you can see, we are not releasing our days cash on hand at this time. While we are confident in our total reserves outlook, we are still scrubbing the two categories reserves are put into; reserves for risk and reserves not for risk. Our reserves for risk is the money we have available for operational flexibility as needed, which is the driver for the days cash on hand calculation. Reserves not for risk are funds set aside for a specific purpose like customer pre-pays, the Energy Northwest line of credit and debt service reassignment funds.

When we started our deep dive into our financial reserves forecast errors that have been reported in past meetings, we decided we needed to do a more robust review of how we allocate our reserves into these two categories, including our actuals, and the policies we use to determine that. We know these numbers are important to many of you and are crucial to some of the great work we are doing in our Financial Reserves Policy, and as such we want to make sure we have a good grasp of where we are at before we report these numbers. We will provide updates at future QBRs on this work and where we think we are at."