Q3 Finance Workshop

July 30, 2019

10:30am-12:00pm

Rates Hearing Room

Bridge: 1-415-527-5035

WebEx: https://doe.webex.com/doe/j.php?MTID=mec98c69a1e744e8dd8f0afc727f3df89
Meeting number (access code): 905 840 525
Meeting password: 9RmFdrBk

SUSTAINABLE FINANCES & RATES

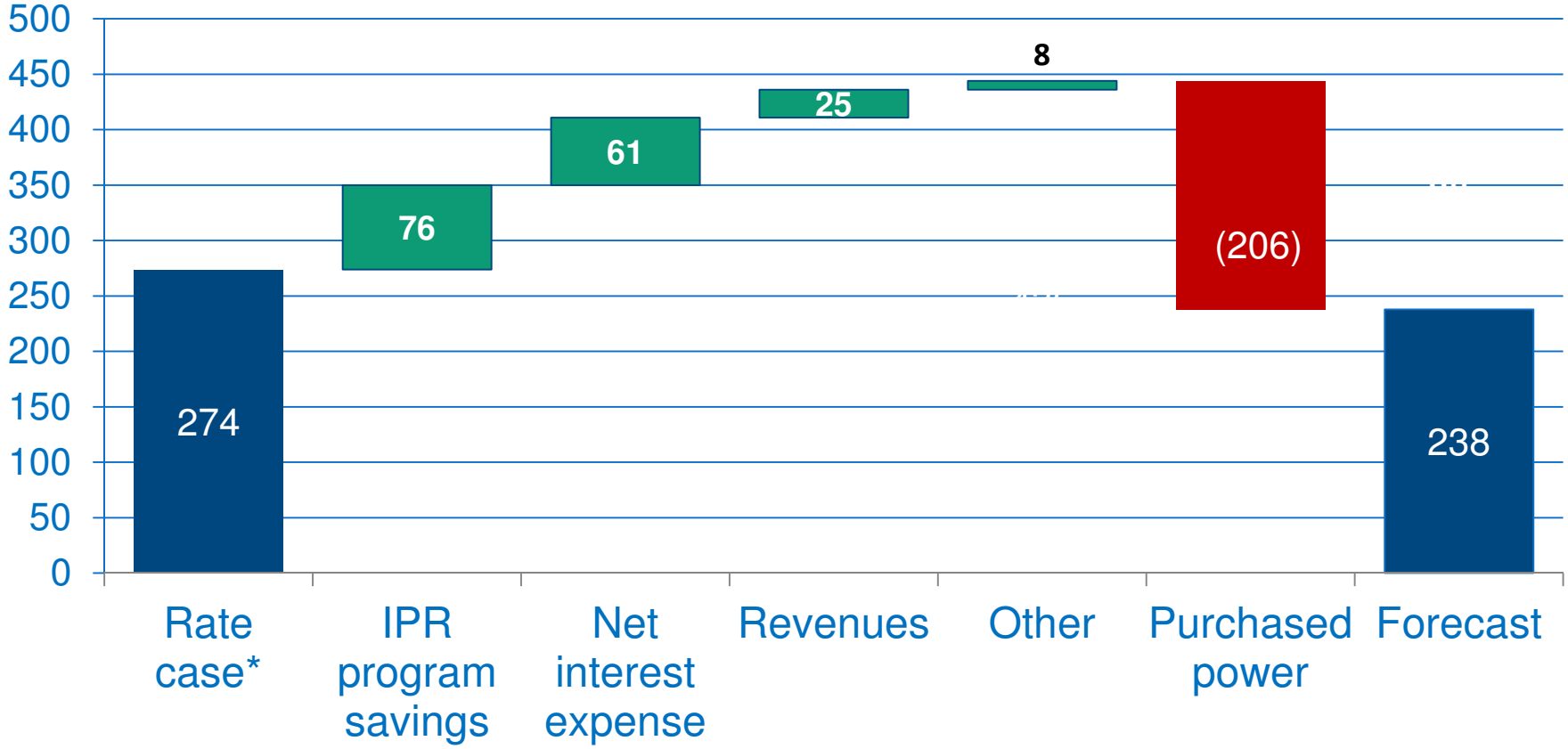
Agenda

10:30 – 10:40 am – Agenda & Safety Moment	**Chris Dunning**
10:40 – 11:00 am – Q3 EOY Reserves Forecast	**Damen Bleiler**
11:00 – 11:15 am – Transmission Market Landscape	**Danny Chen**
11:15 – 11:30 am – Power Market Landscape	**Marie Pompel/Steve Gaube**
11:30 – 11:45 am – Grid Mod Update	**Nita Zimmerman**
11:45 – 12:00 pm – Questions/Open Q&A	

AGENCY NET REVENUES

FCRPS net revenues

in millions of dollars



*Note: Agency rate case net revenues include the $154 million expense reduction due to Regional Cooperation Debt refinancing.

Q3 EOY Reserves Forecast
Damen Bleiler

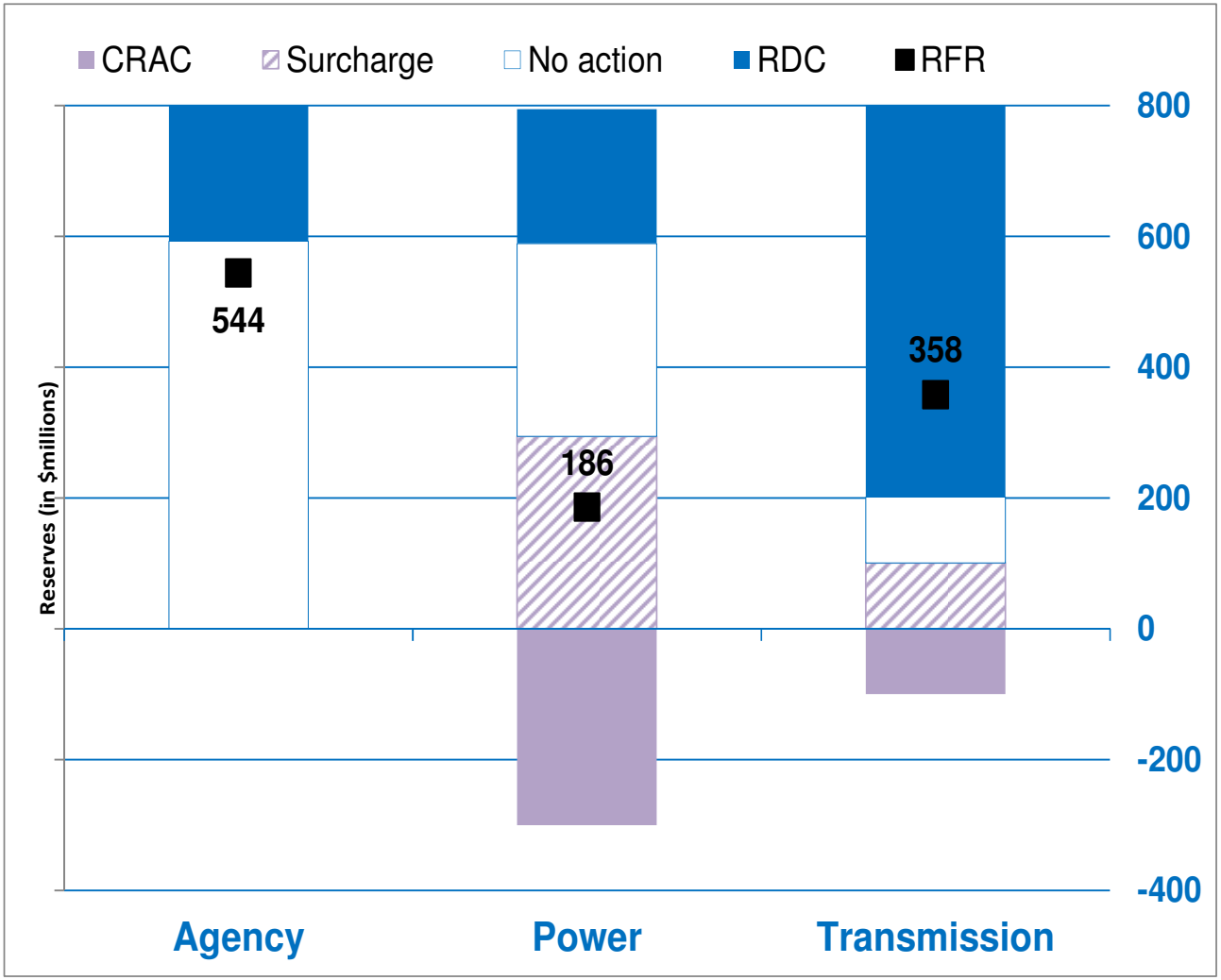
Financial Reserves Update

		A	B	C	D	E	F	G	H
	(in $ Thousands)	BP-18		FY 2019 EOY Forecast				DELTA	
	POWER	FY 2019	Days Cash	Q2	Days Cash	Q3	Days Cash	(E - A)	(E - C)
1	**PS RESERVES for RISK**	61,561	12	288,052	58	185,843	38	124,282	**(102,209)**
2	PS RESERVES not for RISK	78,800		126,832		110,760		31,960	**(16,072)**
3	**PS TOTAL RESERVES**	**140,361**		**414,884**		**296,603**		156,242	**(118,281)**
	TRANSMISSION								
4	**TS RESERVES for RISK**	368,539	220	206,520	122	358,011	214	**(10,528)**	151,492
5	TS RESERVES not for RISK	40,000		115,349		134,199		94,199	18,850
6	**TS TOTAL RESERVES**	**408,539**		**321,868**		**492,210**		83,671	170,342
	AGENCY								
7	RESERVES for RISK	430,100	62	494,572	74	543,855	83	113,755	49,283
8	RESERVES not for RISK	118,800		242,181		244,958		126,158	2,778
9	**AGENCY TOTAL RESERVES**	**548,900**		**736,753**		**788,813**		**239,913**	**52,060**

Notes:

- Third quarter forecast reflects BPA's initial proposal of $182 million Business Unit Split Reserves Adjustment from Transmission to Power. This amount is subject to Administrator's final decision on the allocation errors that will be issued in October 2019.

Surcharge, CRAC and RDC Thresholds



<u>Preliminary Reserves Forecast</u>

Power Threshold Tracking:

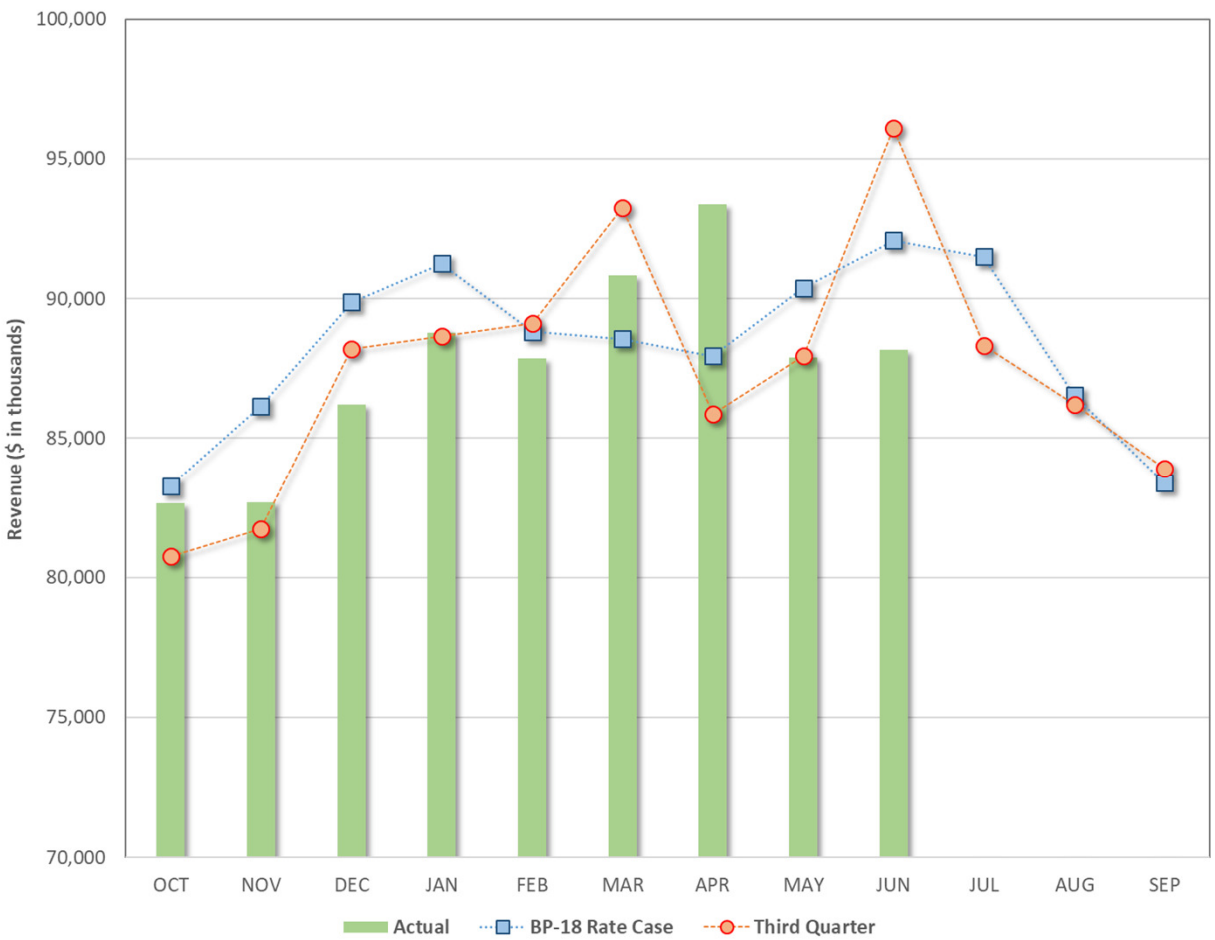
- No modeling scenarios result in triggering a CRAC or RDC
- All modeling scenarios result in a $30m Surcharge

Transmission Threshold Tracking:

- No modeling scenarios result in triggering a CRAC, Surcharge or RDC

Transmission Market Landscape
Danny Chen

FY 2019 Revenues through Third Quarter



<u>Revenue Variances vs. Forecast</u>

- For the fiscal year to date (October to June) revenues are $9.9M below Rate Case forecast ($798M) and $3.3M below Third Quarter ($792M)

- These reductions are driven by:
  - Network PTP long term service
    - Deferral to future periods
    - PTP service for projected renewable generation that did not commence as projected.
  - Short term service
    - Lower than forecast hydro and price spreads between NW and CA.

FY 2019 Forecast Outlook for End of Year

- Primary revenue risks to transmission revenues include load variation on load service, transmission reservation actions (i.e. deferral, renewal) on point-to-point service, hydro conditions and market pricing on short term service.

- For the remainder of Fiscal Year 2019 (July to September), BPA does not expect significant changes in the FY 2019 Third Quarter revenue forecast.
  - Summer temperature departures from normal can create variation from forecast, but not expected to be a significant impact.
  - Point-to-Point service is largely determined through end of year as deferrals must be notified to BPA 60 days ahead of service commencement.
  - Short term service risk through end of year is also expected to be minimal as hydro run-off peak occurred in March, and has little hydro impact on sales in summer months.

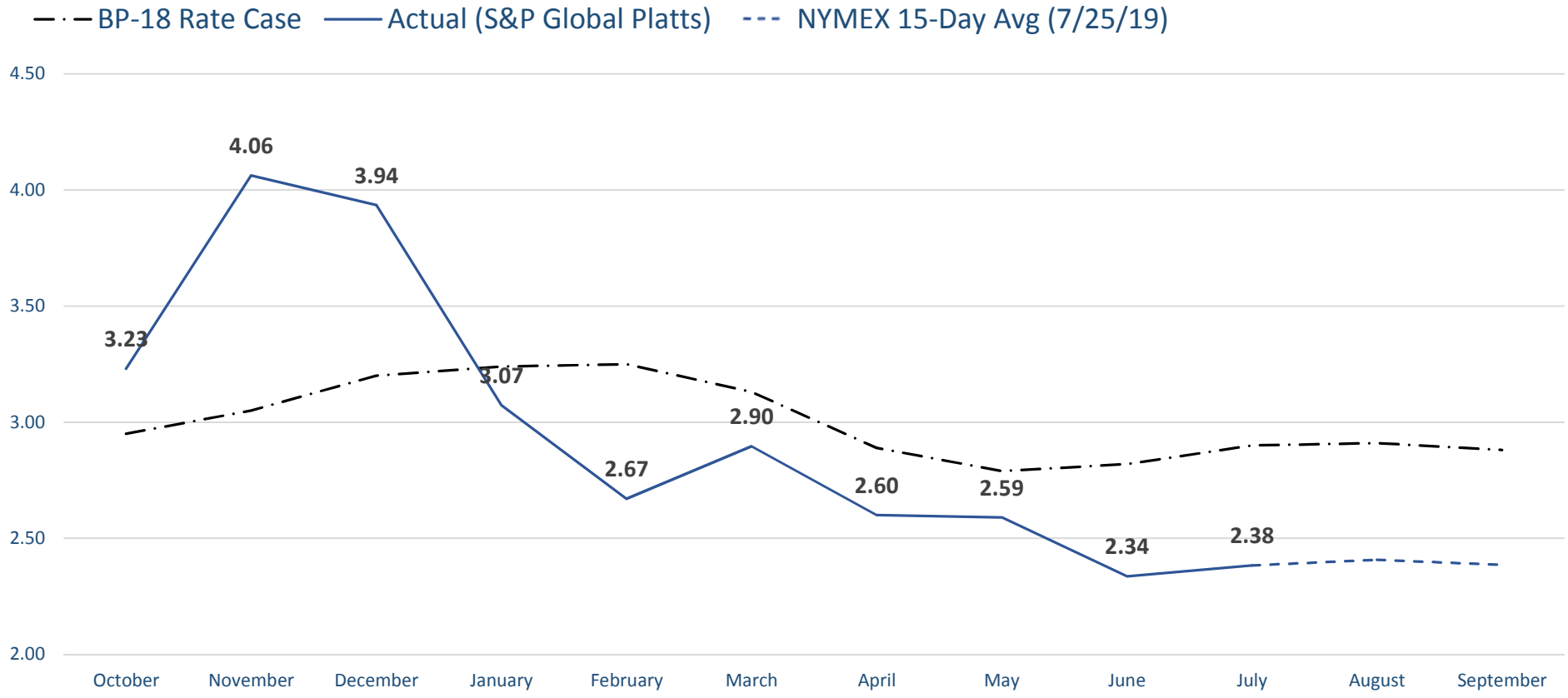
Power Market Landscape
Marie Pompel & Steve Gaube

HENRY HUB PRICES

Henry Hub Prices

in dollars per one million British thermal units

BP-18 forecast: $3.00
FY 2019 average: $2.98

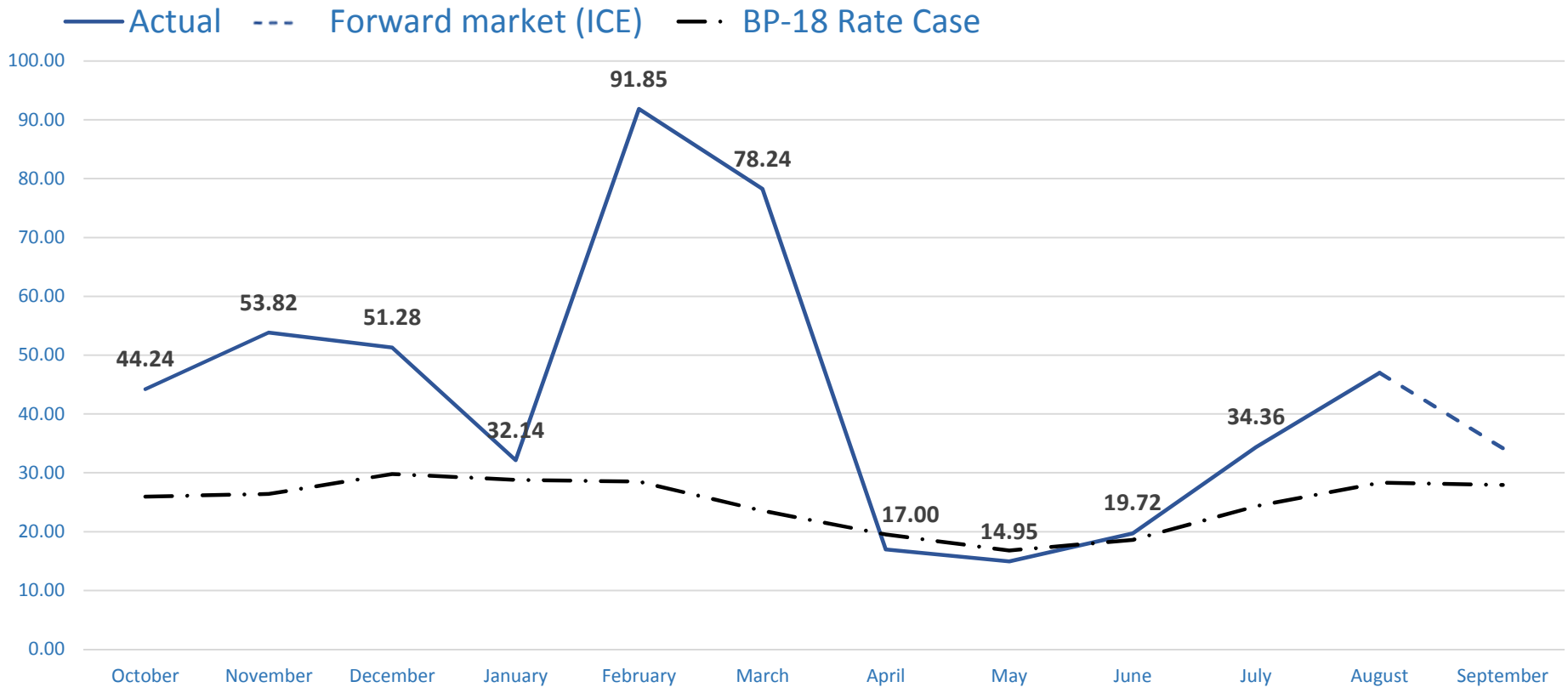


MID-C PRICES

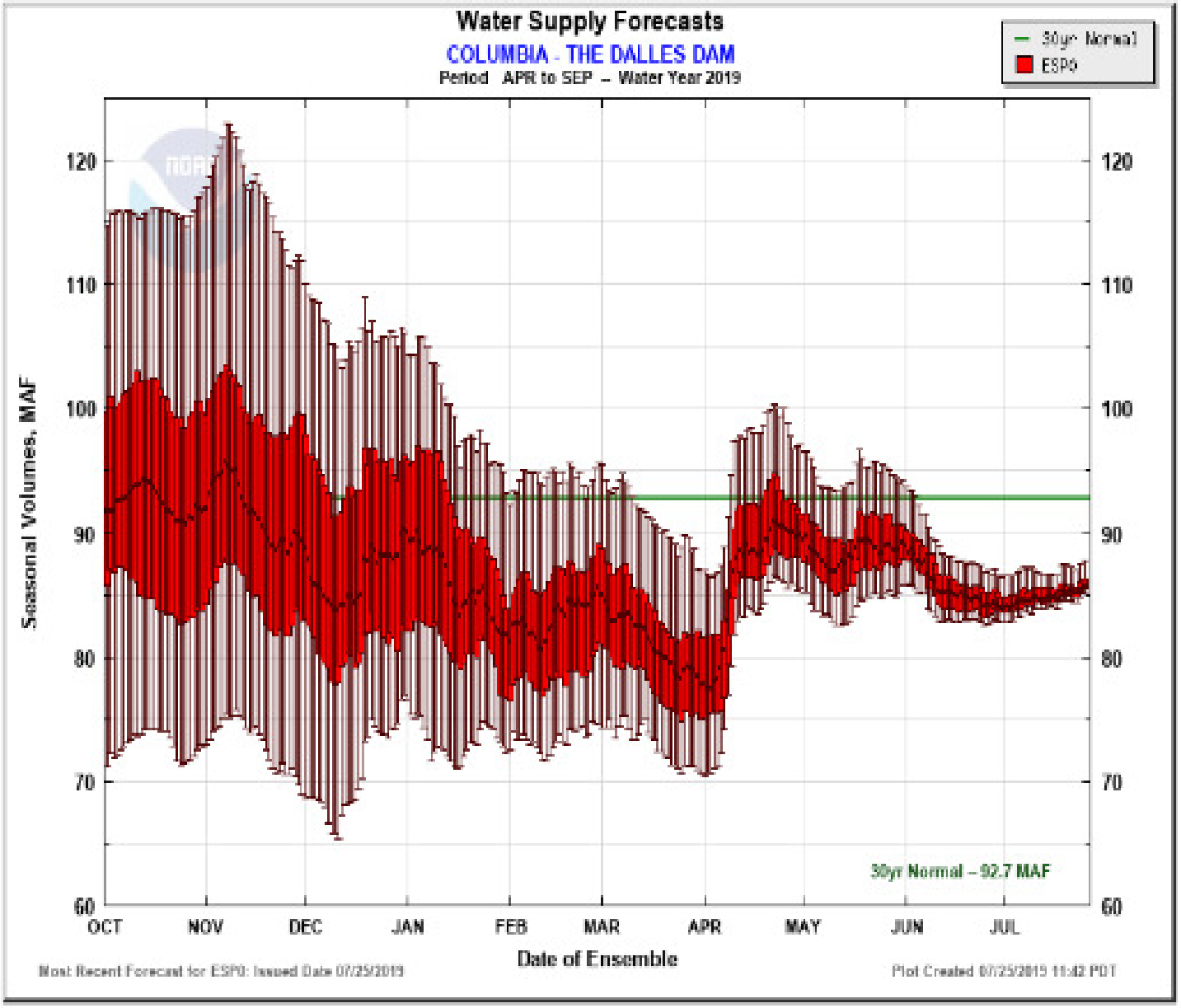
Mid-C heavy load hour prices

In dollars per megawatt hour

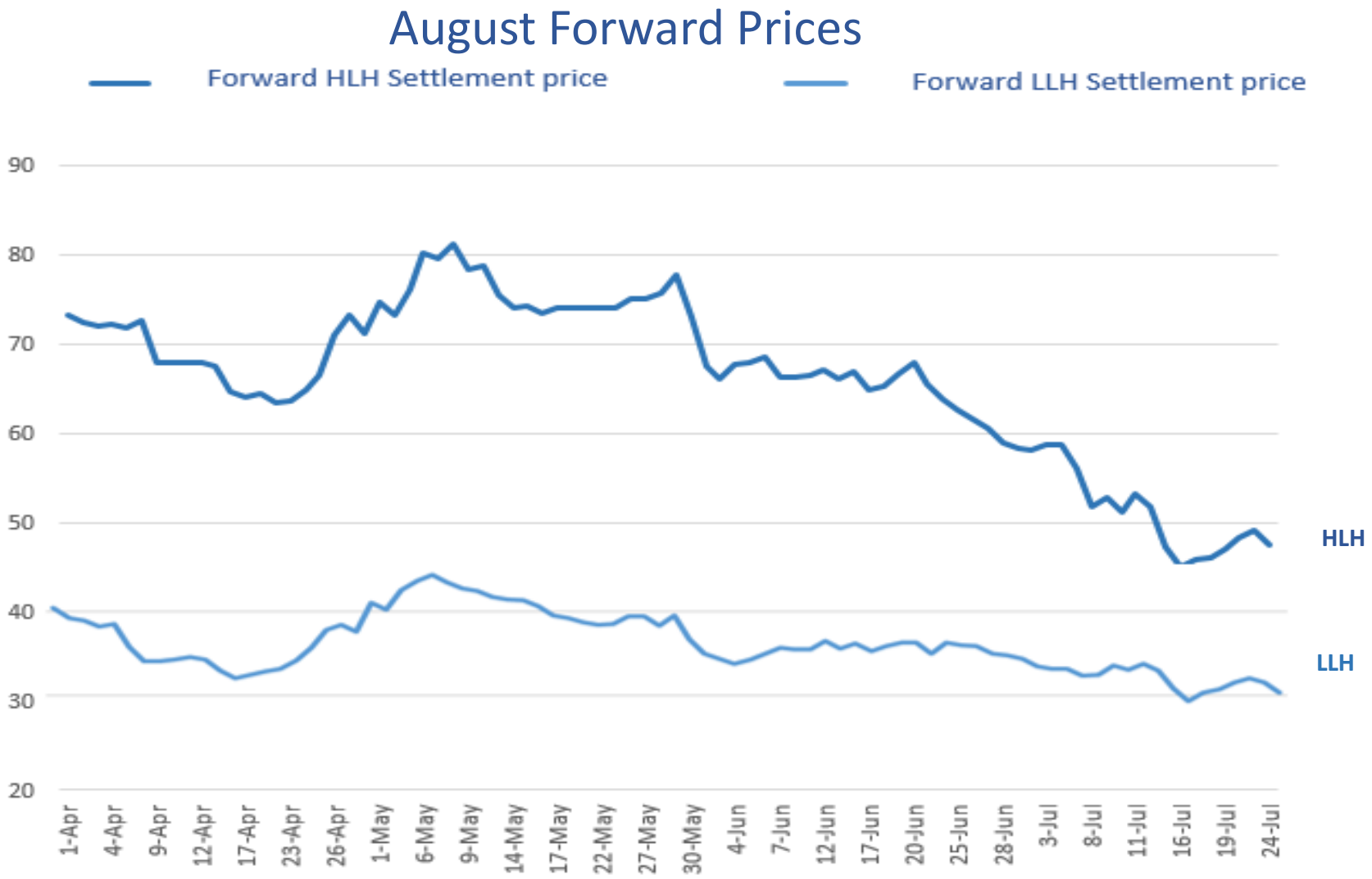
BP-18 forecast: $24.87
FY 2019 average: $44.80



Water Supply Forecast



Forward Prices

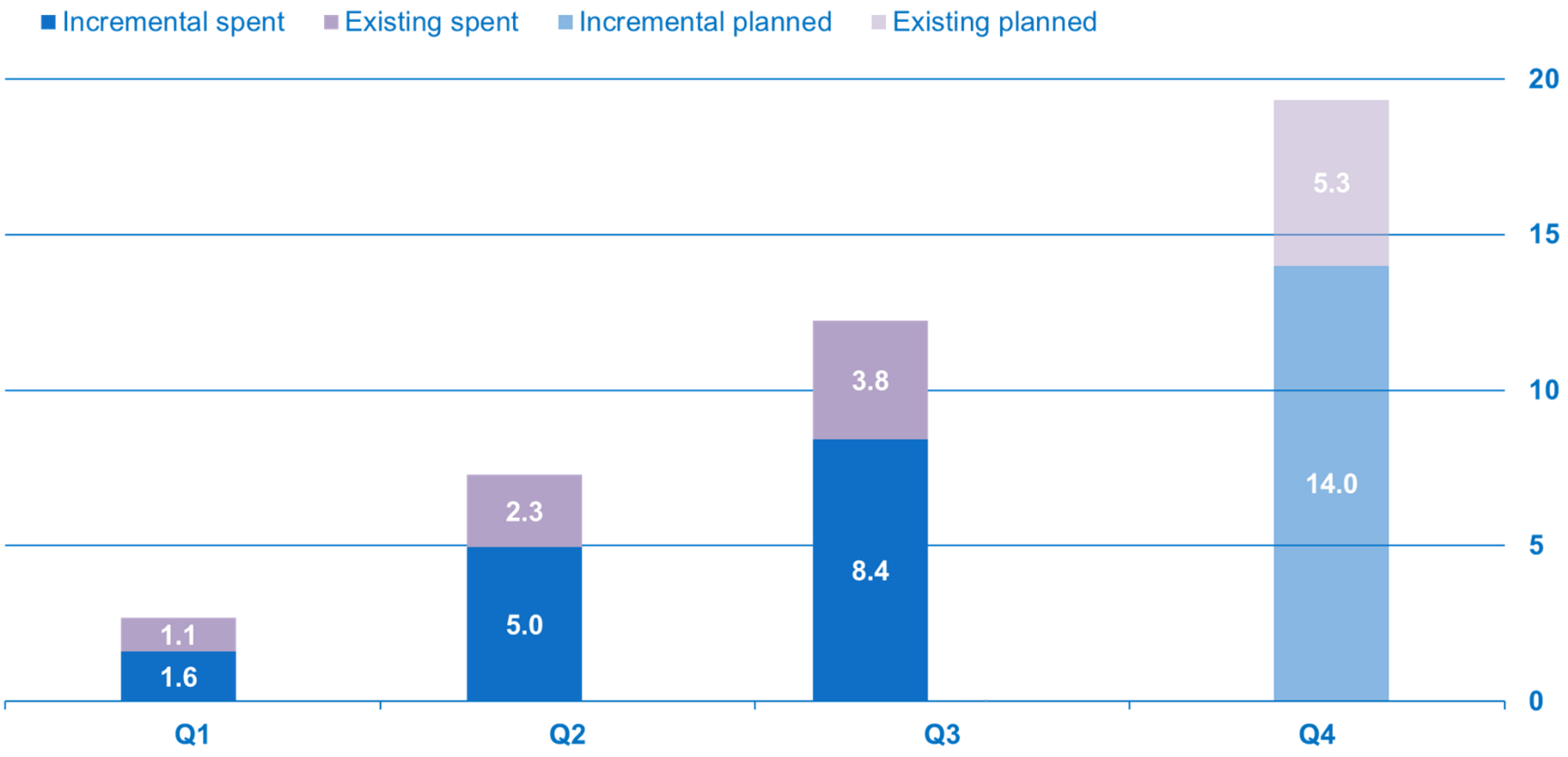


Net Secondary Revenue Uncertainty – or lack thereof

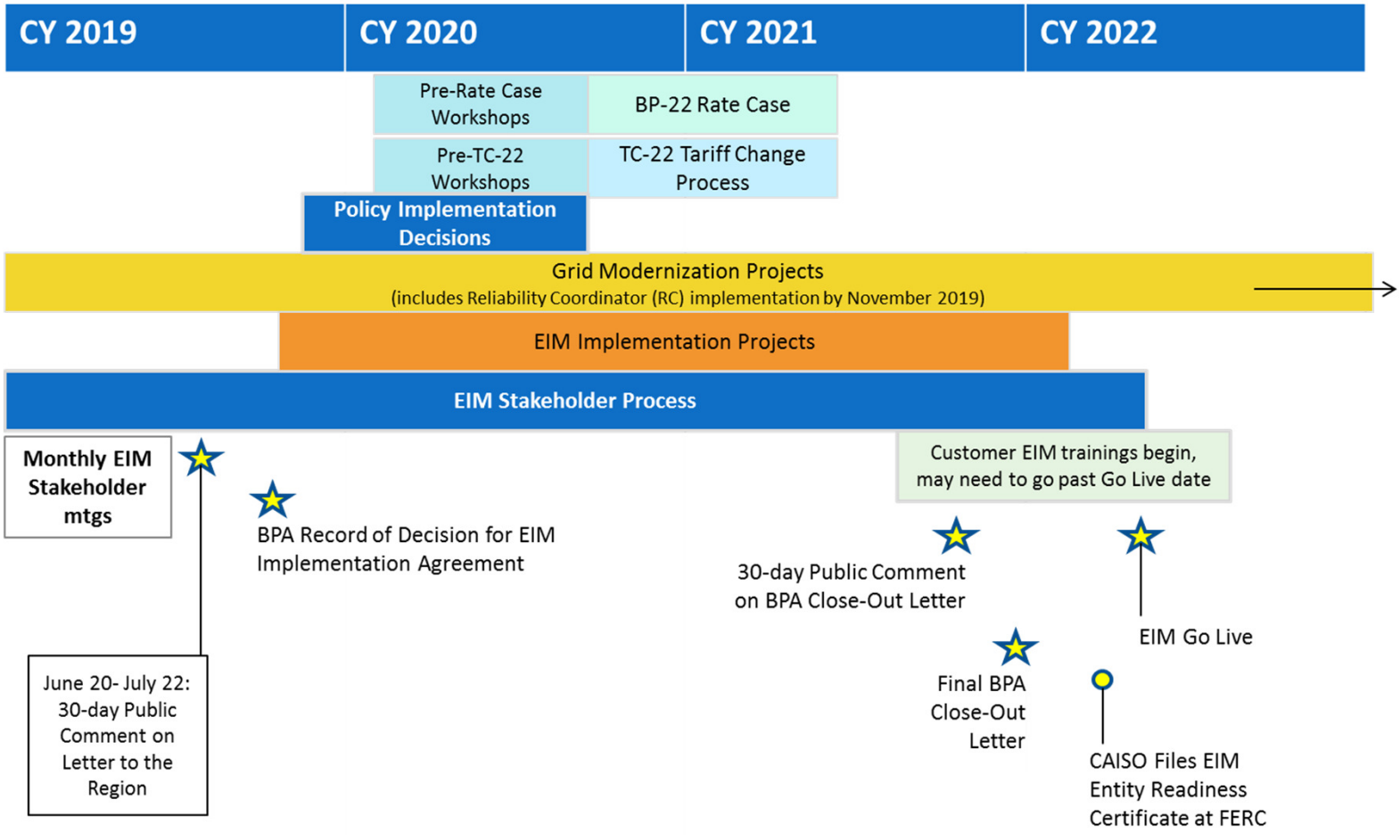
- BPA does not expect significant changes to its Net Secondary Revenue (NSR) forecast for the remainder of FY19.
- As the volatility of MIDC prices and the water supply forecast has declined over the past several months the NSR forecast volatility has reduced as well.
- Although there are still modest fluctuations expected in both the MIDC price and water inventory, the inherent volatility is small and within reasonable bounds relative to earlier in the fiscal year.

Grid Mod Update
Nita Zimmerman

Grid Modernization Key Strategic Initiative Spending



Energy Imbalance Market Timeline



Previous EIM Stakeholder Meeting Materials are available here: www.bpa.gov/goto/EIM

Questions/Open Q&A

Financial Disclosures

This information has been made publicly available by BPA on July 29, 2019 and does not contain Agency-approved Financial Information.