



BPA Update: Strategy in Motion

November 2018



SAFETY

see *say* *do*

IT'S WORTH ✓ ING





“A good business strategy achieves nothing without the people and culture to make it happen.”

— BPA ADMINISTRATOR ELLIOT MAINZER

B O N N E V I L L E P O W E R A D M I N I S T R A T I O N



Delivering on our public responsibilities through a commercially successful business



BPA 2018–2023 Strategic Plan

BPA 2018–2023 Strategic Goals

#1

**STRENGTHEN
FINANCIAL HEALTH**

#2

**MODERNIZE
ASSETS &
SYSTEM OPERATIONS**

#3

**PROVIDE
COMPETITIVE
PRODUCTS & SERVICES**

#4

**MEET
CUSTOMER NEEDS
EFFICIENTLY & RESPONSIVELY**

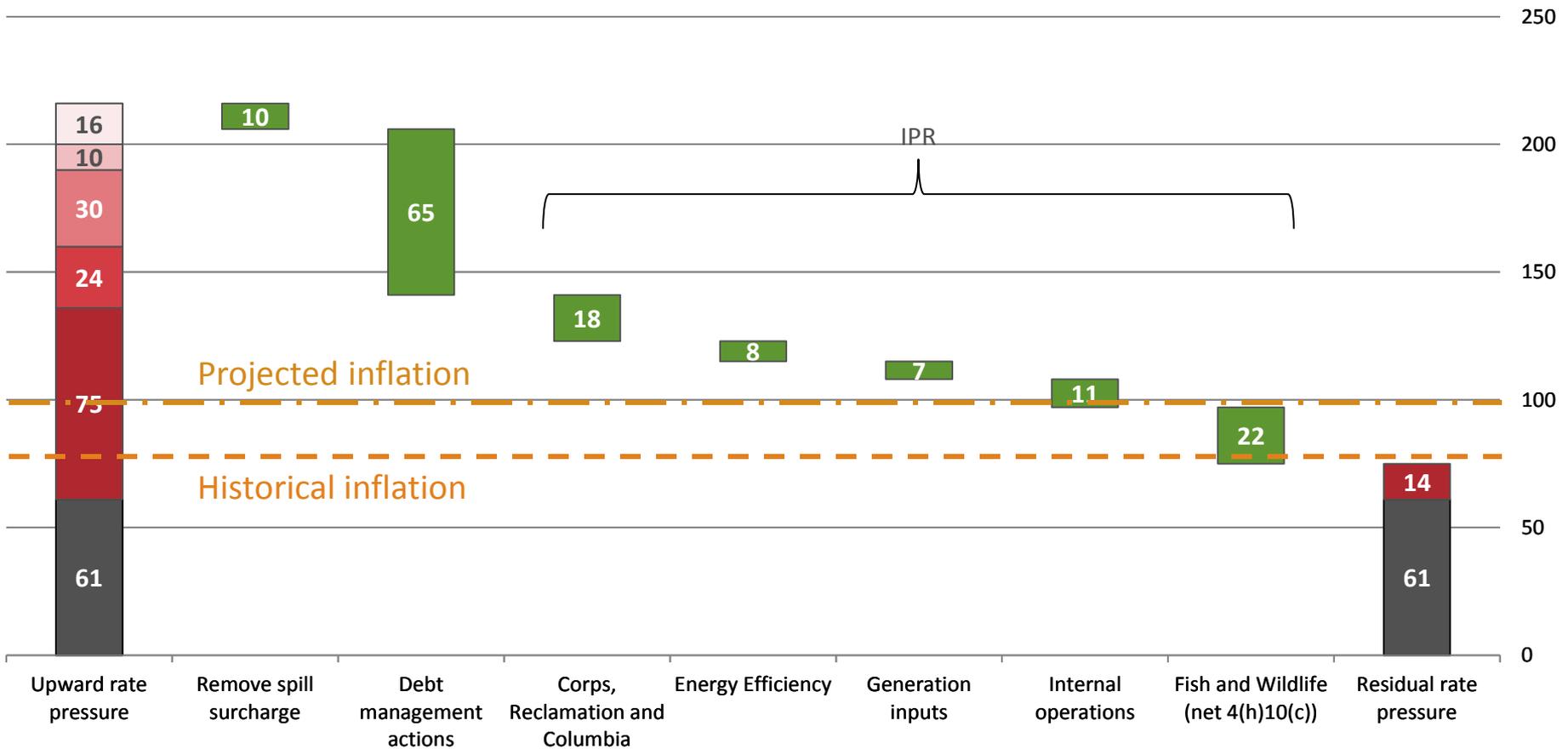
#1

**STRENGTHEN
FINANCIAL HEALTH**

POWER RATES

Power rate drivers in \$ millions

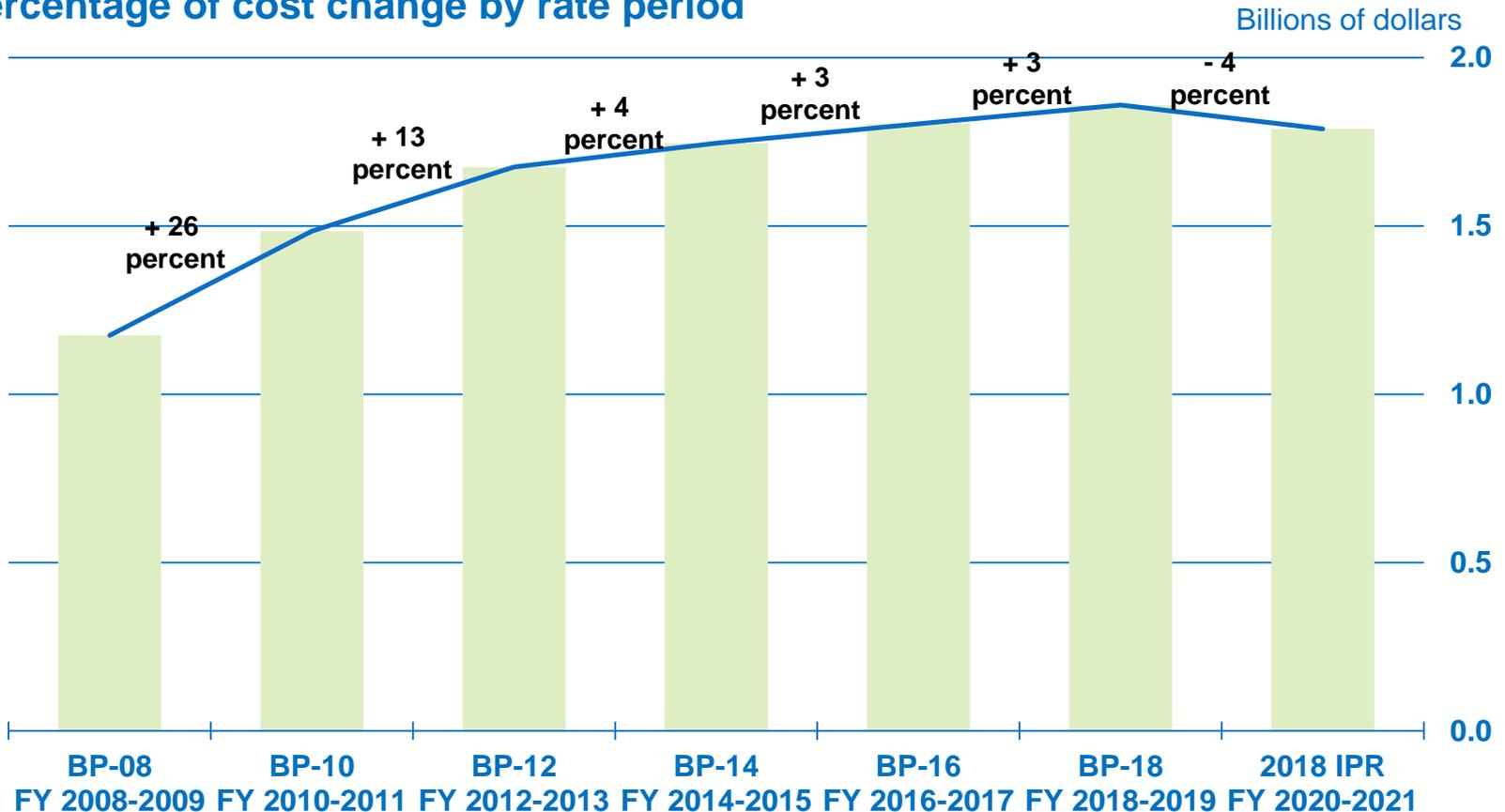
■ Energy Efficiency expense
 ■ Secondary
 ■ DSI sales
 ■ Load loss
 ■ FRP phase-in
 □ Other
 ■ Reductions



BENDING THE COST CURVE

Bending the cost curve

Average annual program costs in billions of dollars and percentage of cost change by rate period



TRANSMISSION RATES

- 9.5 percent – average increase under initial proposal.
- 4 percent – average increase under settlement.



Financial Health Objectives

COST MANAGEMENT

Maintain low rates;
enhance asset value
and reliability

DEBT UTILIZATION

Reduce interest expense;
maintain financial flexibility

DEBT CAPACITY

Maintain access to secure and
low-cost debt financing

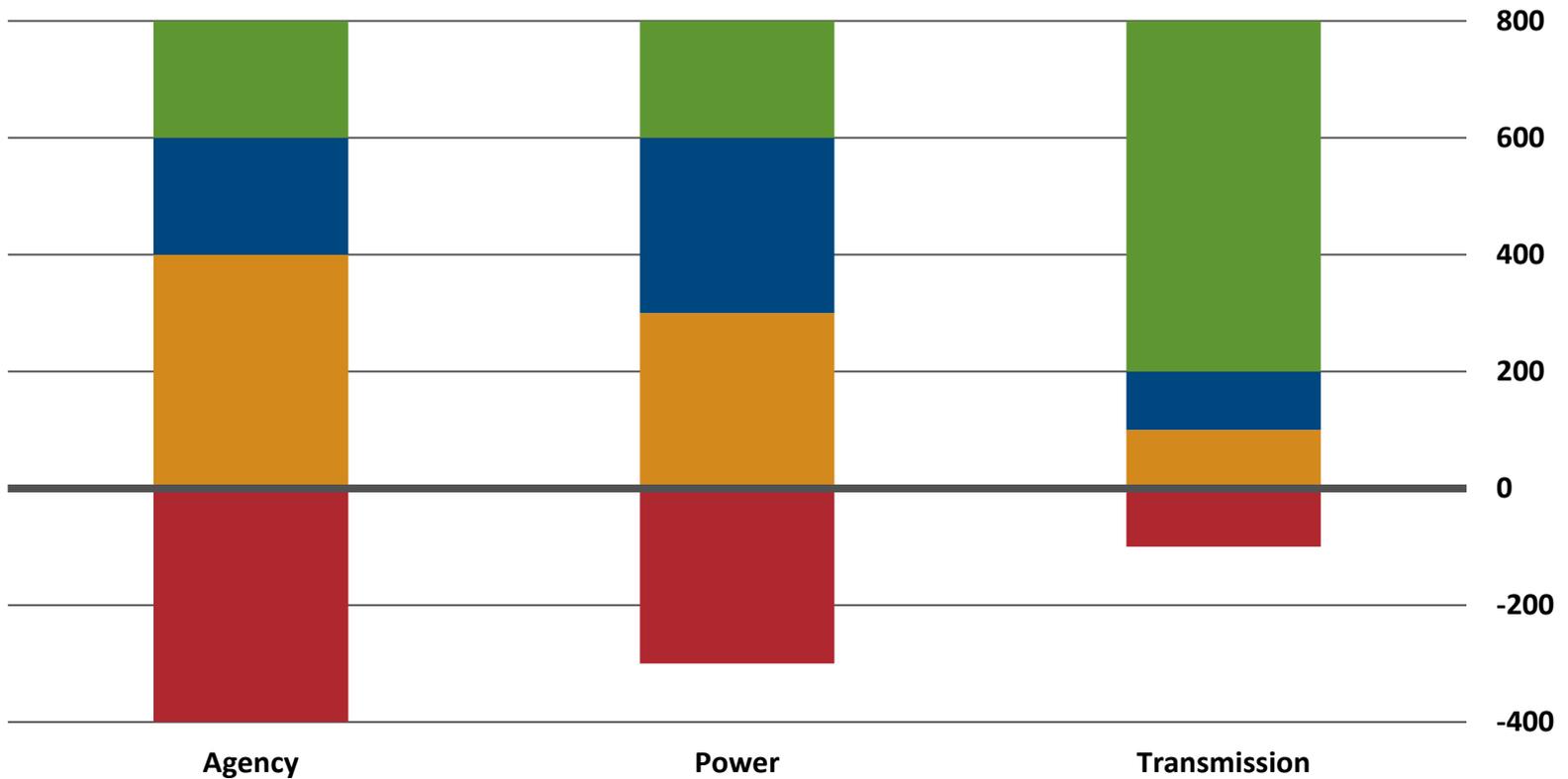
LIQUIDITY

Maintain financial reserves
for solvency and stability

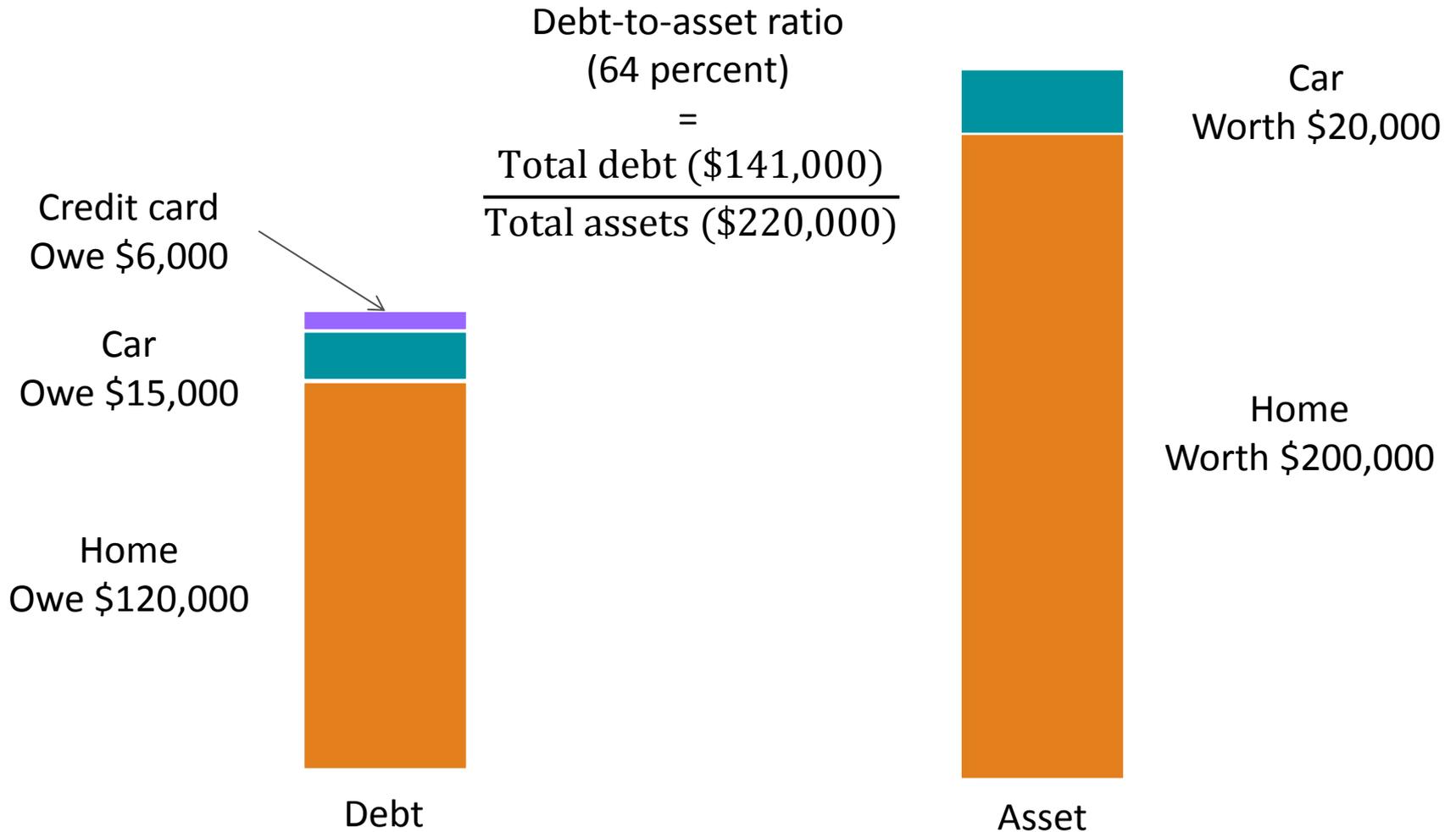
FINANCIAL RESERVES POLICY

Financial Reserves Policy framework in millions of dollars

■ CRAC ■ Surcharge ■ No action ■ RDC



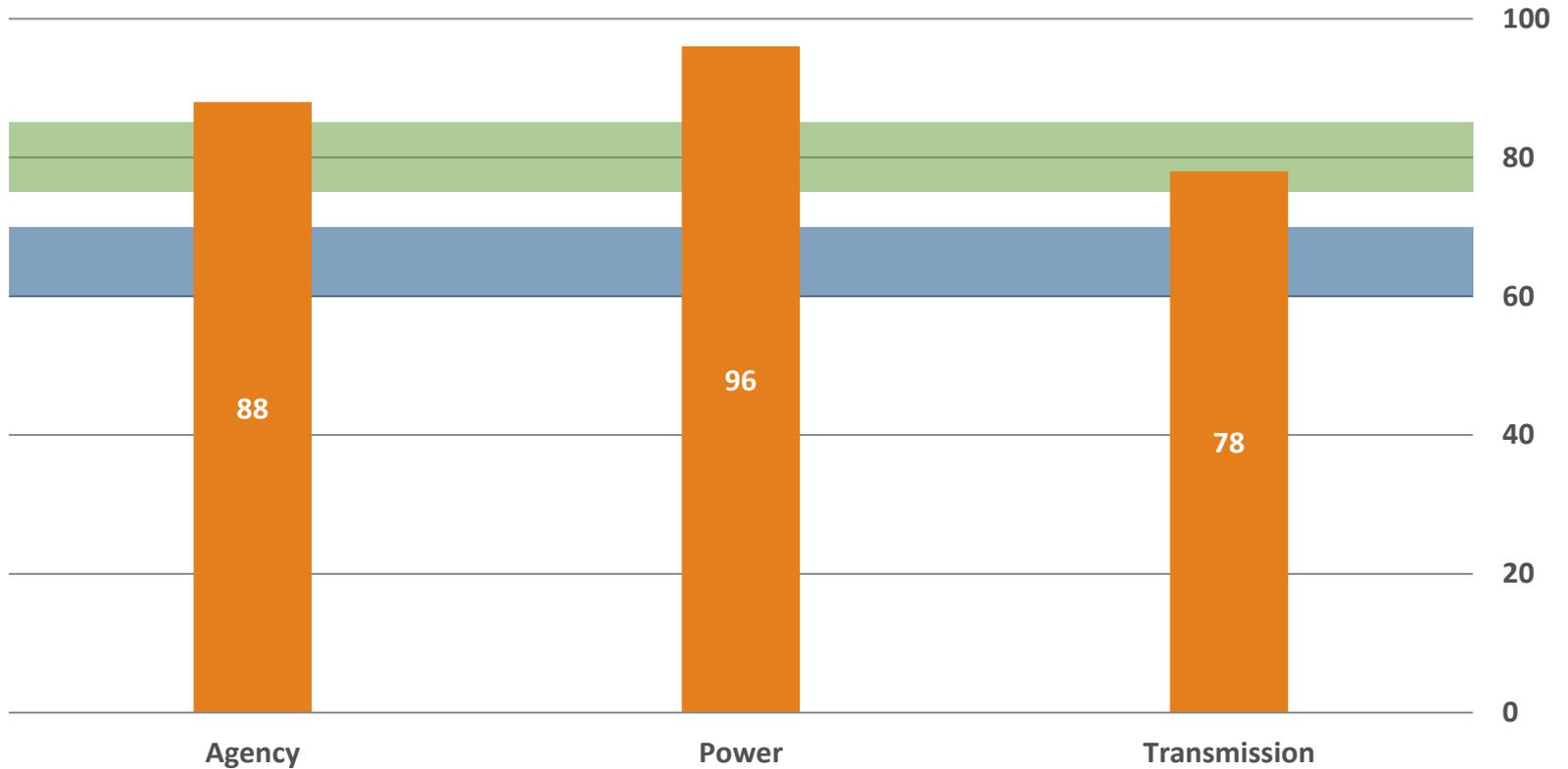
UNDERSTANDING LEVERAGE



LEVERAGE POLICY

BPA's current leverage ratio and targets

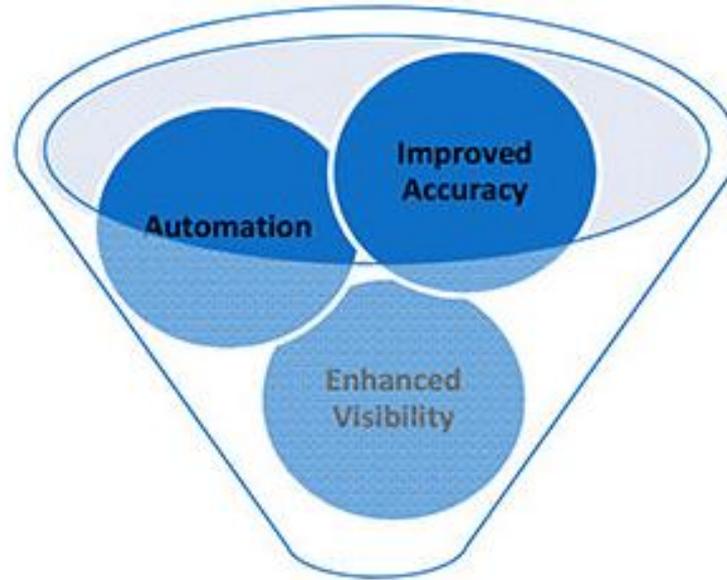
■ Long-term target range ■ Mid-term target range ■ Current leverage ratio



#2

**MODERNIZE
ASSETS &
SYSTEM OPERATIONS**

GRID MODERNIZATION



**Maximize capacity and improve
grid efficiency.**

**Improve Power and
Transmission revenues.**

PROJECTS UNDERWAY

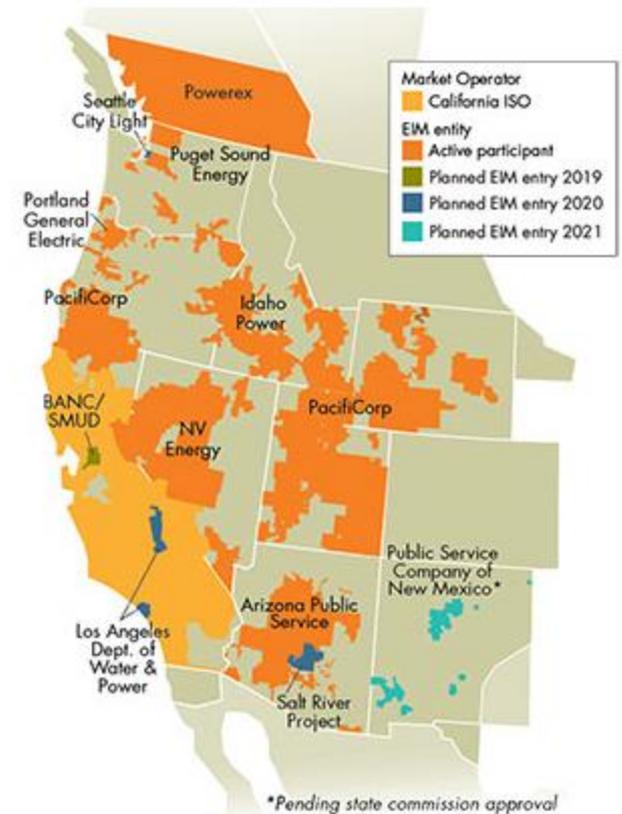
- Mission critical information technology
 - Modernize the systems necessary to do core power and transmission functions; the foundation to all other grid mod projects.
- Outage management projects
 - Improves outage coordination across agencies and reduces risk of non-compliance.

PROJECTS UNDERWAY

- Marketing and Settlements Solution
 - Improves how BPA trades and settles power transactions with the California Independent System Operator.
- Automatic generation control
 - Enables additional capacity marketing from hydro system
- Reliability coordinator
 - Transition from Peak Reliability to CAISO

ENERGY IMBALANCE MARKET

- Benefits include:
 - Optimize operation of the power and transmission system.
 - Congestion management.



PROCESS TO JOIN THE EIM

Now

- Monthly EIM stakeholder meetings

July 2019

- Issue proposal to sign and 30-day comment period

Late 2019

- Record of decision

2020-22

- Develop necessary systems along with tariff and rate development

Planned
April 2022

- EIM go live if decision made to join

#3

**PROVIDE
COMPETITIVE POWER
PRODUCTS & SERVICES**

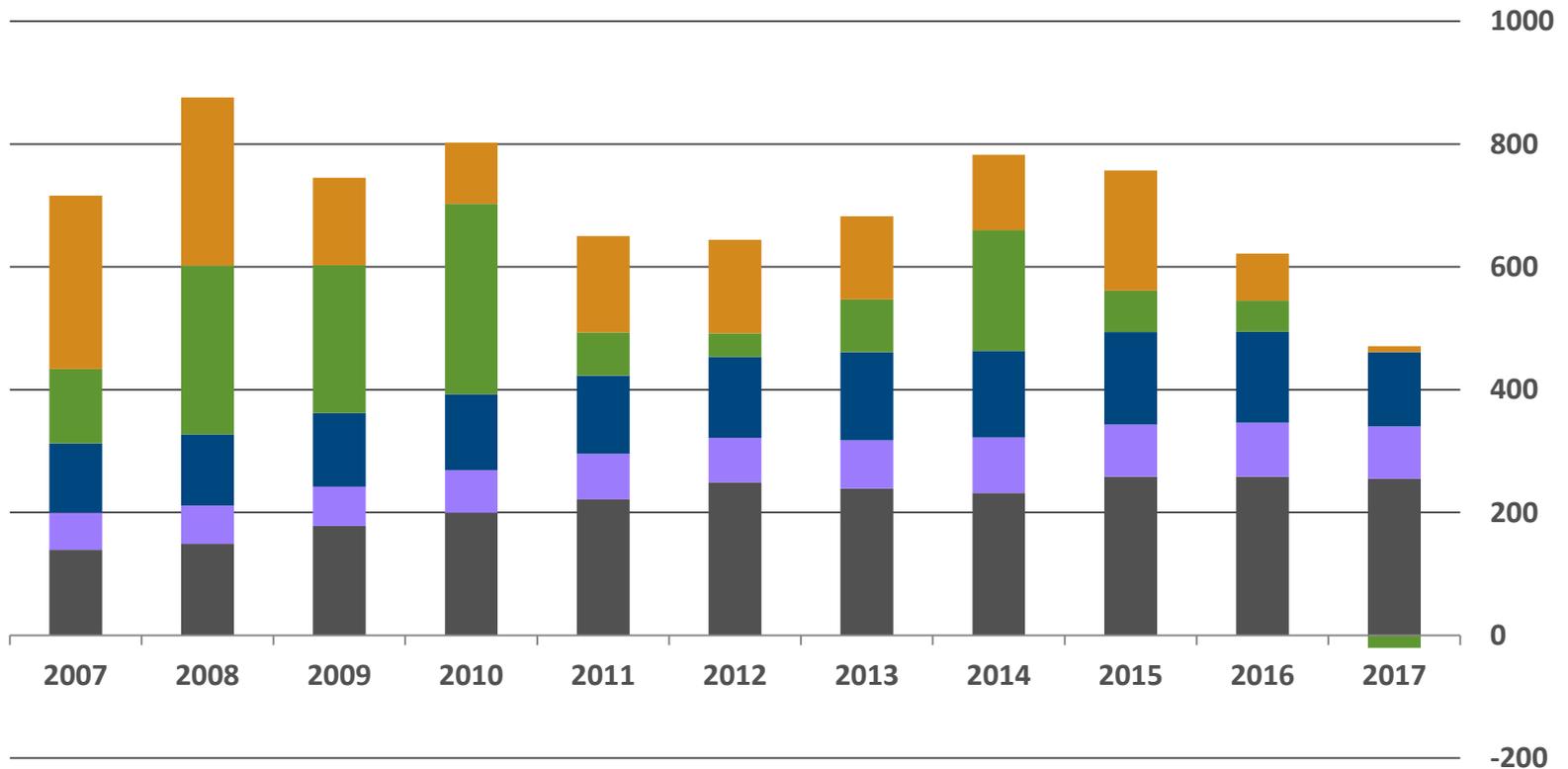
MARKET OPPORTUNITIES

- Clean capacity
- New loads
- Carbon policies

HISTORICAL FISH AND WILDLIFE SPENDING

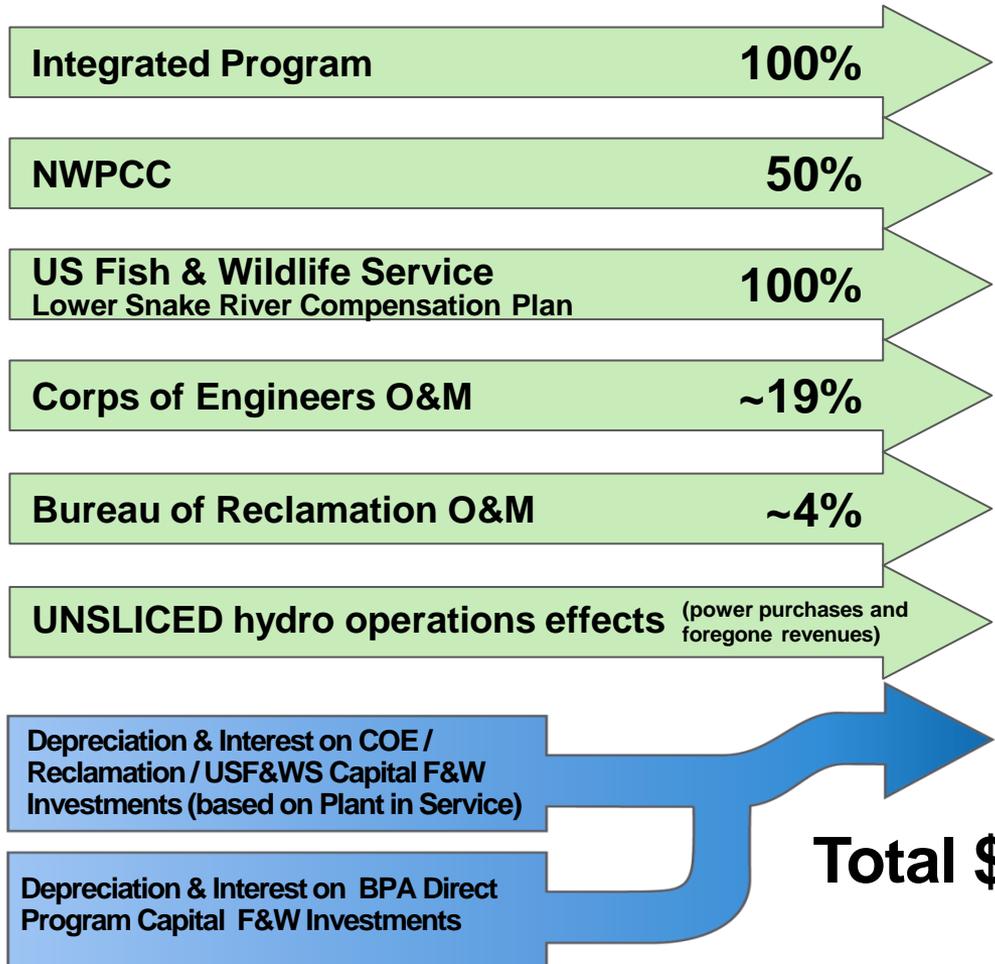
BPA fish and wildlife investments in \$ millions

■ Expense/direct
 ■ Reimbursable
 ■ Capital repayment
 ■ Power purchases
 ■ Lost opportunity costs



FUTURE F&W SPENDING

Percentage of Spending
Categories Allocated to F&W



	Actuals FY 2016-2017 (\$ in Millions)	BP-18 Rate Case FY 2018-2019 (\$ in Millions)	2018 IPR FY 2020-2021 (\$ in Millions)
Integrated Program	256	277	249
NWPCC	5	6	6
US Fish & Wildlife Service Lower Snake River Compensation Plan	27	34	31
Corps of Engineers O&M	48	50	49
Bureau of Reclamation O&M	7	7	7
UNSLICED hydro operations effects (power purchases and foregone revenues)	58	195	TBD
Depreciation & Interest on COE / Reclamation / USF&WS Capital F&W Investments (based on Plant in Service)	135	129	113
Depreciation & Interest on BPA Direct Program Capital F&W Investments	536	698	455

This information has been made publicly available by BPA on July 17, 2018, and contains information not reported in agency financial statements.

FISH ACCORDS EXTENDED

- Columbia Basin Fish Accords extended for up to four more years.
- \$400 million for fish and wildlife mitigation and protection.

EXAMPLE: HABITAT IMPROVEMENT

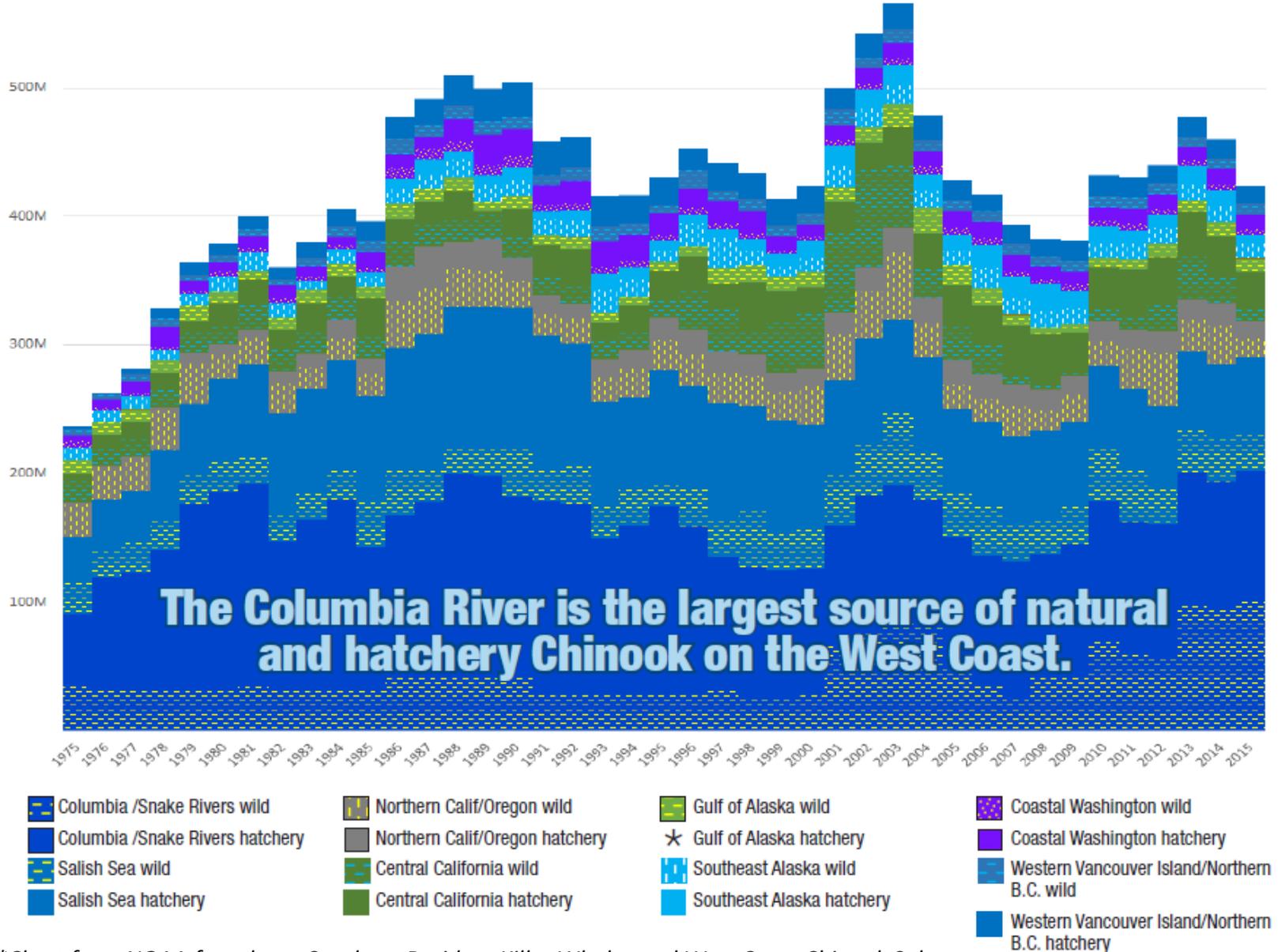


Klickitat Watershed Enhancement Project, before and after

COLUMBIA RIVER SYSTEM OPERATIONS

- Developing alternatives for system operations to include in the draft environmental impact statement.
- Oct. 19 presidential directive: Complete the EIS and associated biological opinions by 2020.

Natural and hatchery Chinook salmon production by area

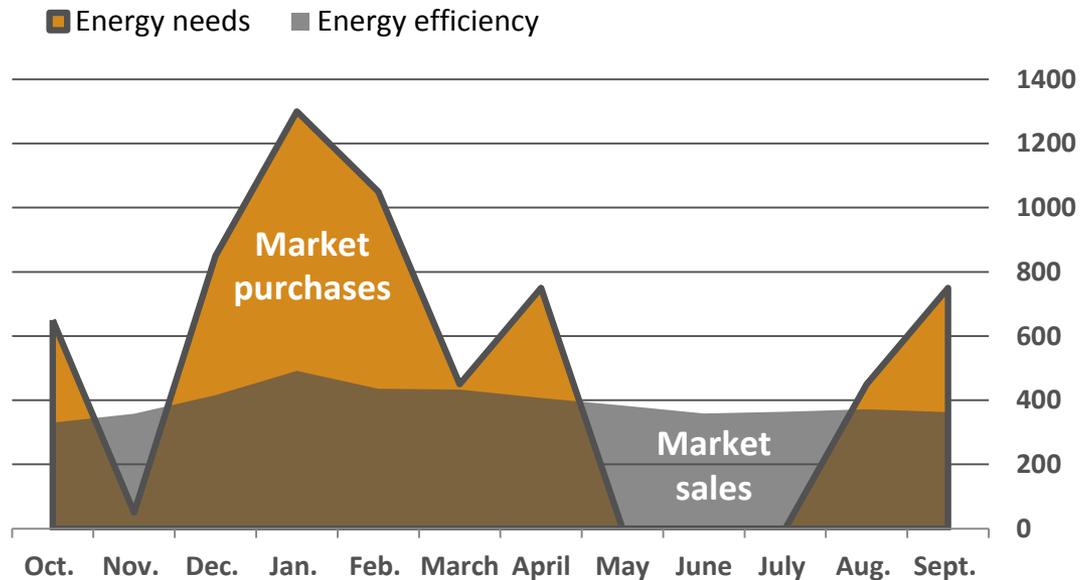


*Chart from NOAA fact sheet: Southern Resident Killer Whales and West Coast Chinook Salmon

ALIGNING EE TO MEET BUSINESS NEEDS

- BPA’s 2018 Resource Program identified both energy efficiency and demand response as cost-effective solutions to meet long-term power needs.
- Demand response helps meet system capacity needs in the summer.
- Energy efficiency helps meet system energy needs in the winter.

Winter energy need (in megawatts) under critical conditions



COLUMBIA RIVER TREATY

- In 2018, the U.S. and Canada began negotiations to modernize the Columbia River Treaty.
- Activities to date:
 - Negotiation sessions
 - U.S. public town halls



#4

**MEET TRANSMISSION
CUSTOMER NEEDS
EFFICIENTLY & RESPONSIVELY**

TRANSMISSION CUSTOMER SERVICE



RESPONSIVENESS AND EFFICIENCIES

- Conducting “Deep Dives”
 - Completed in: Umatilla, Hood River/The Dalles, Tri-Cities (focus on Pasco), Albany, Burley, La Grande, Eugene, Olympic Peninsula, Central Oregon and South Oregon Coast.
- Evaluating new ways to meet transmission needs
 - Example: Hooper Springs

REGIONAL PLANNING ORGANIZATION



TARIFF

- New tariff will allow BPA to adopt terms and conditions for transmission service in a timely, efficient and transparent manner.
- BPA engaged in settlement discussions with transmission customers.
- Working diligently to reach agreement on terms and conditions, as well as agreement to convert current contracts to the new tariff when it becomes effective.



QUESTION AND ANSWER



FINANCIAL DISCLOSURE

This information was publicly available on Nov. 5, 2018, and contains information not sourced directly from BPA financial statements.