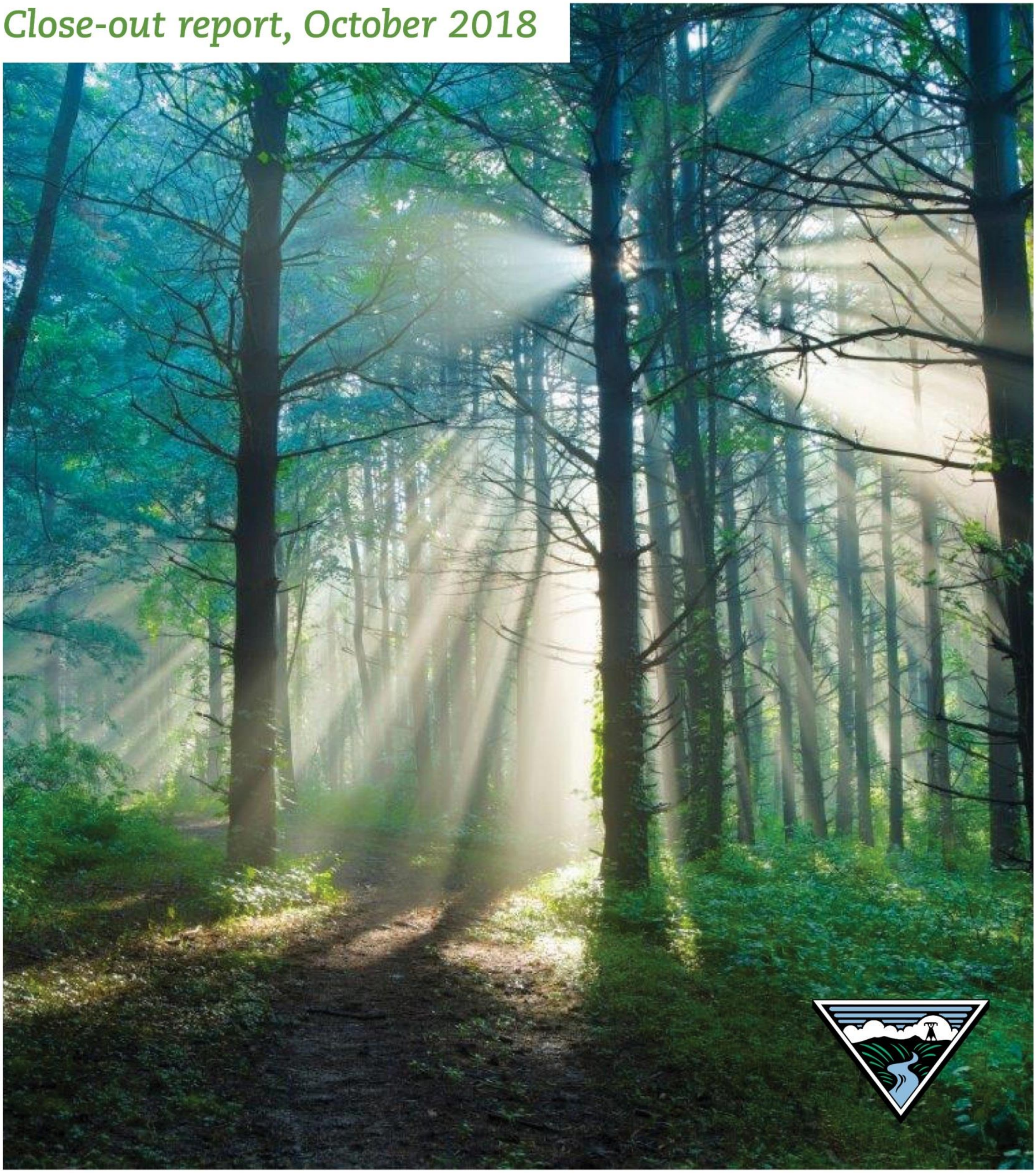
B O N N E V I L L E   P O W E R   A D M I N I S T R A T I O N

Integrated Program Review

Close-out report, October 2018



IPR Close-out Summary

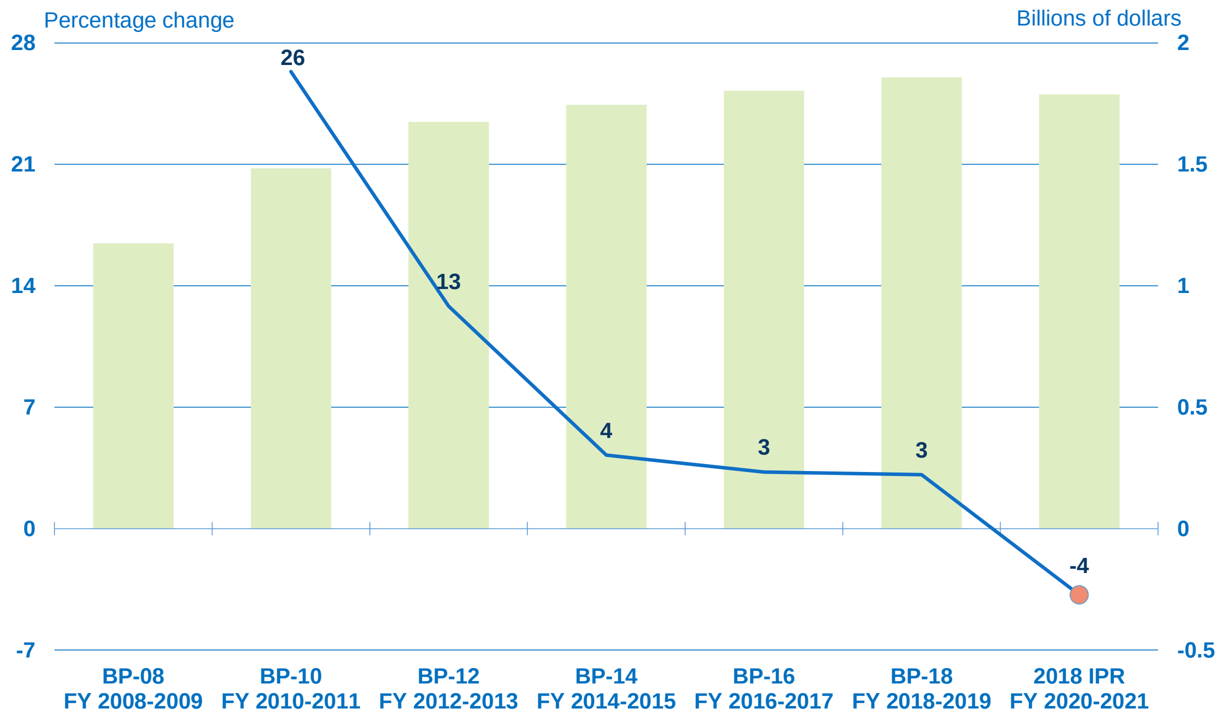
Letter from the Administrator

The Bonneville Power Administration has concluded the 2018 Integrated Program Review, a public discussion of our costs for the next rate period. Our final projected costs for fiscal years 2020 and 2021 are $66 million lower per year compared to the FY 2018–2019 rate period. This is a significant step toward our cost-management objective to keep program costs at or below the rate of inflation, which we committed to in the BPA 2018–2023 Strategic Plan. And in fact, it exceeds the additional target we set for this IPR to hold program costs flat in nominal terms.

While the proposal we released in June met this goal — a challenge that included taking $77 million of inflation per year out of our program costs and an additional $3 million reduction compared to the FY 2018–2019 rate period — we also acknowledged that keeping costs close to flat may not go far enough. And over the summer, we continued to refine our spending proposal. The result is a $63 million per year reduction from the initial IPR spending levels. In total, the reductions we've made this IPR equate to a 4 percent reduction in annual spending compared to the FY 2018–2019 rate period — a meaningful shift in the cost curve.

Bending the cost curve

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



I want to thank our customers, stakeholders and other interested parties who participated in the IPR and provided valuable input. Your feedback informed our decision to further reduce capital and expense program spending, including in the areas described below.

Compared to BP-18 spending levels, Power Services has reduced spending by an average of $56 million per year — that's an additional $50 million in savings beyond the spending reduction we proposed in June. These savings are primarily from the Fish and Wildlife program, which we have reduced by $30 million each year in order to manage program costs at or below inflation, including offsetting costs associated with additional spill. This approach is consistent with our strategic goal to prioritize investments to achieve the greatest biological benefit and focus on projects directly linked to mitigating the impacts of the Federal Columbia River Power System.

In response to comments, we also continued to work with our partners to reduce spending related to the operation of the federal hydropower projects and the Columbia Generating Station nuclear plant. Thanks to the ongoing collaboration of the U.S. Army Corps of Engineers, Bureau of Reclamation and Energy Northwest, we identified additional savings of $18 million per year.

Transmission Services has also made significant progress toward cost management, reducing its annual spending by $9.5 million compared to BP-18. This is a $12 million per year reduction from the spending increase we proposed in June. Through efficiencies and other business improvements, we will be able to achieve these savings without sacrificing our commitment to customer service.

Expense	Average 2018-2019 rate case spending levels ($ millions)*	Average 2020-2021 initial IPR ($ millions)*	Average 2020-2021 final IPR ($ millions)*
Power	1,359	1,354	1,303
Transmission	499	502	490

**Numbers are rounded to nearest million. This may cause deltas to vary slightly.*

Much of the savings we've identified in Transmission's expense levels are associated with the new Supply Chain Cost-Management Initiative. This is an effort we are undertaking to produce sustainable cross-agency savings related to supplemental labor, contracting, inventory procurement and supplies.

This effort will produce a total of $40 million in savings over the rate period, with most of those savings going toward our capital program. Compared to the initial IPR, we have reduced capital spending levels by $15 million per year as a result of the supply chain initiative. This was the most significant change in our capital spending program.

I'd also like to add that we just concluded the process to develop a 10-year capital financing plan, which addresses how we will finance the capital spending outlined in this IPR. As proposed, we will continue to scale up our investment in the hydropower system to $300 million per year by 2023, a strategy that will deliver significant value to the system by ensuring it is operating efficiently and safely. The capital financing plan outlines a path for BPA to meet these capital needs while still meeting the financial health objectives outlined in the strategic plan.

Balancing costs and other objectives for financial strength

The final spending levels we are announcing today demonstrate our strengthening cost-management discipline and reflect our deep commitment to delivering on the goals of the BPA 2018–2023 Strategic Plan. We have carefully allocated our limited resources to best ensure our success toward these goals, from becoming more competitive and responsive to customer needs, to leveraging and enabling industry change through modernized assets and system operations.

It's important to note, however, that these spending levels represent just a portion of the costs that BPA must recover through rates. Additional costs include investments to strengthen BPA's financial health through two financial health policies — the Financial Reserves Policy, which we refined this year, and the new Leverage Policy — both of which are designed to improve BPA's financial resiliency and support high credit ratings. These policies call for us to take action in the next rate period to bolster Power Services' financial reserves and potentially pay down Transmission Services' debt more quickly than planned. The rate at which we phase in the Leverage Policy will be decided in the rate case.

While these investments in BPA's financial health will add to our revenue requirement, the associated rate impact will be largely offset by the reductions we have made through this IPR. You have my commitment that our efforts to find savings and efficiencies in support of BPA's competitive position are ongoing, as is our promise to continue making spending decisions through the lens of our strategic plan.

Thank you again for your participation in the 2018 Integrated Program Review, and I look forward to your continued engagement as we move into the rate case this November. While we still have hard work ahead of us, I am pleased to see the progress we are making together to sustain BPA's role as an engine of economic prosperity and environmental sustainability for the Northwest.

Sincerely,

Elliot E. Mainzer
Administrator and CEO

1. INTRODUCTION

The 2018 Integrated Program Review started in June with the release of BPA's initial publication on spending levels for fiscal years 2020 and 2021, followed by a series of detailed workshops on individual program spending levels. The spending levels outlined in this document will be used in the BP-20 Rate Case, which covers fiscal years 2020 and 2021. BPA received many thoughtful and thorough comments and appreciates the region's engagement in this process.

BPA's cost-management strategic objective is to hold the sum of program costs, by business line, at or below the rate of inflation from rate period to rate period. BPA has exceeded this objective by not only absorbing $77 million per year in inflation, but actually reducing spending levels by another $66 million per year compared to the FY 2018–2019 rate period (BP-18), demonstrating a strong commitment to cost management.

These final spending levels are significantly lower than what we proposed in June. Based on stakeholder feedback and BPA's continued work to identify additional savings, over the summer we further prioritized our spending to reduce costs and achieve the reductions outlined in this document.

BPA enacted agency-wide initiatives that further aligned spending with its strategic goals. For example, in collaboration with regional partners, BPA continued to identify efficiencies in program spending and applied historical and forecast analysis to refine initial IPR spending levels. We also initiated the Supply Chain Cost-Management Initiative, through which BPA identified opportunities for additional annual savings of $5 million in expense and $15 million in capital within the Chief Administrative Office and Transmission cost pools. The following sections discuss these initiatives and further detail the cost reductions identified since the release of the initial publication.

BPA received a significant amount of comments and feedback from customers, stakeholders and interested parties regarding BPA's planned spending for FY 2020 and 2021. A summary of these comments is below and are addressed within the relevant cost pool sections.

Budget Development

- The top-down approach in the 2018 IPR is a step in the right direction.
- BPA should take further steps to control its costs given the upward pressure from other cost areas outside of the scope of the IPR.

U.S. Army Corps of Engineers and Bureau of Reclamation

- BPA should continue to work collaboratively with the Corps and Reclamation to improve coordination and cost-cutting efforts for operation and maintenance funding needs.
- Despite improvements in the execution of capital projects, there is still a concern around continued under-execution.

Energy Efficiency

- BPA should restore the energy efficiency spending levels to at least 2019 levels to ensure that all cost-effective conservation is acquired.

Grid Modernization

- BPA should establish and formalize a routine process to provide customers with status updates.
- Customers would like to see the reasoning and justification that resulted in the 35 percent and 65 percent cost allocation between Power and Transmission Services.

Transmission

- More should be done to capture efficiencies in the Transmission organization.
- The Transmission capital program should provide more clarity on prioritization and more clear business cases with top-down targets.

2. POWER SERVICES

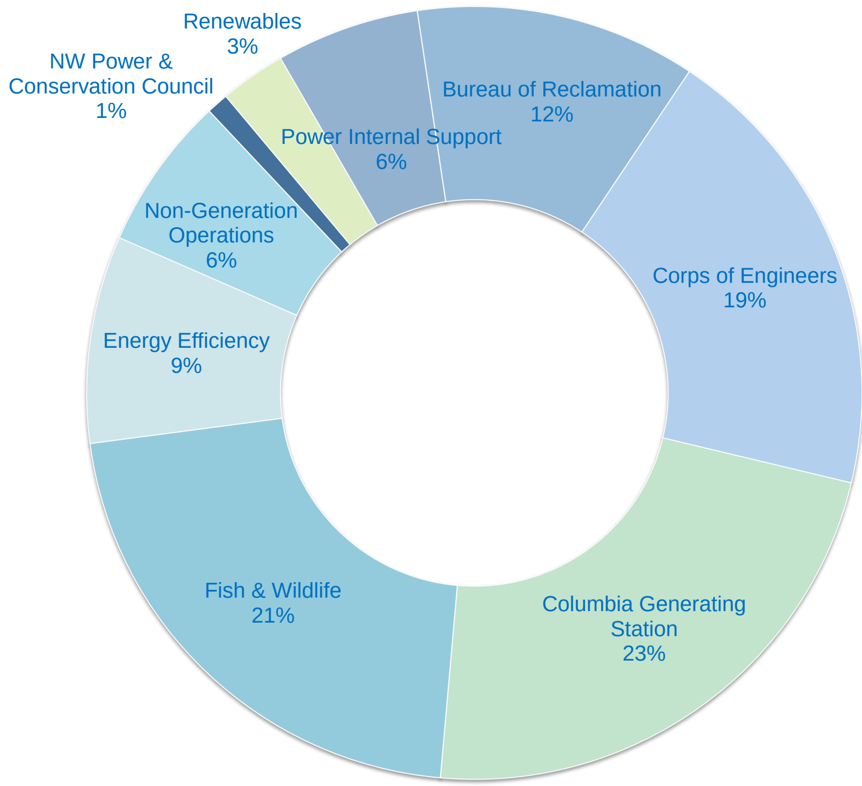
OVERVIEW

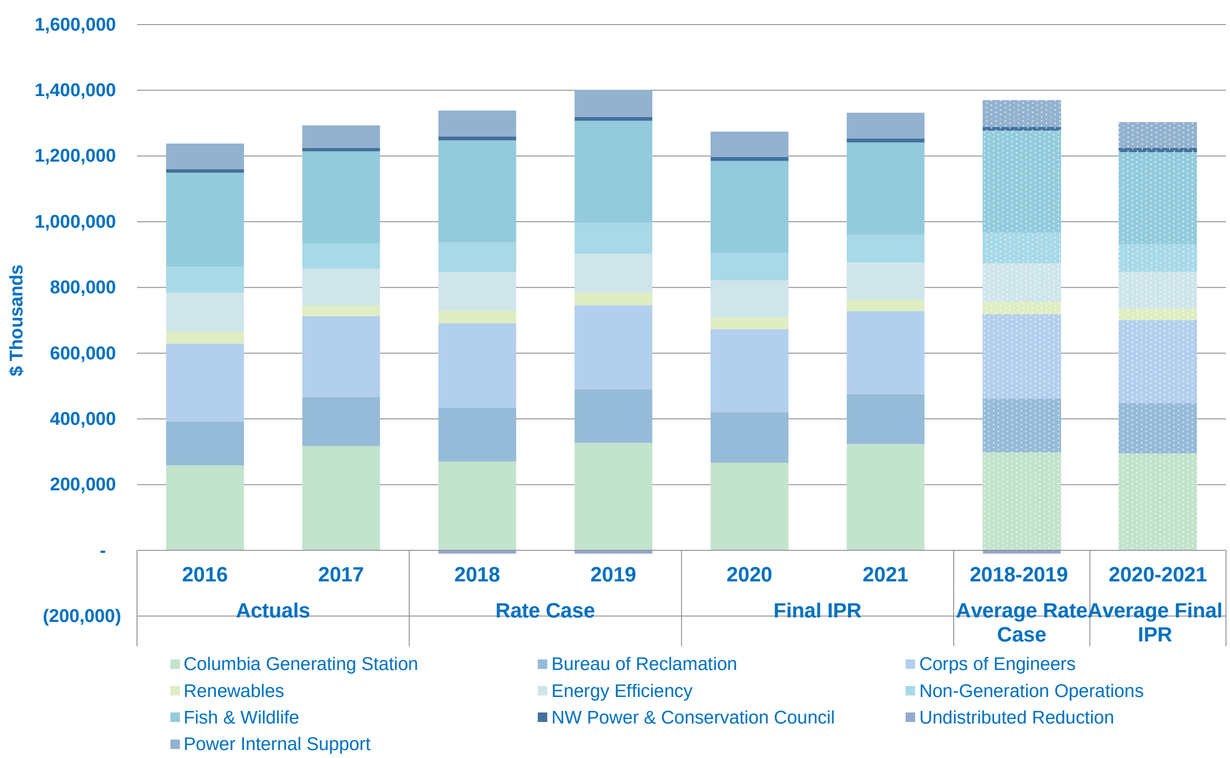
Power Services reduced planned spending levels from BP-18 by an average of $56.5 million per year.

- Reduced the Fish and Wildlife program expense by $30 million annually to offset the cost of additional spill.
- Reduced O&M expenses at the Corps and Reclamation by a combined $14.5 million annually.
- Reduced O&M expenses at Columbia Generating Station by $3.5 million annually.

Power Services is deeply committed to BPA's strategic plan, including its cost-management and competiveness objectives. Initial IPR levels were carefully scrutinized and resulted in initial spending levels that were $6 million a year lower than the BP-18 Rate Case, which included absorbing nearly $30 million in annual inflation. For the final IPR, BPA worked diligently across the enterprise and with its regional partners to find an additional $50 million a year in planned reductions spanning Fish and Wildlife, Corps and Reclamation, Columbia Generating Station, and BPA's Corporate and Chief Administrative Offices in line with BPA's strategic goals. With these additional reductions, Power's final IPR spending levels average $56 million per year less than the BP-18 Rate Case average.

Power Services Expense Summary





Power Services Summary

($Thousands)	2020 Final IPR	2021 Final IPR	2020/2021 Average Final IPR	2018/2019 Average Rate Case	Delta
Costs Described in IPR					
Columbia Generating Station	266,571	323,762	295,166	298,750	(3,584)
Bureau of Reclamation	153,609	151,623	152,616	163,616	(11,000)
Corps of Engineers	252,557	252,557	252,557	256,057	(3,500)
Renewables	36,523	34,869	35,696	38,696	(3,000)
Energy Efficiency	112,940	113,054	112,997	117,637	(4,640)
Non-Generation Operations	82,816	84,922	83,869	92,365	(8,496)
Fish & Wildlife, Lower Snake River Comp Plan	280,086	280,514	280,300	310,192	(29,891)
NW Planning & Conservation Council	11,725	11,956	11,841	11,769	72
Power Internal Support	77,436	78,475	77,955	80,385	(2,430)
Undistributed Reduction	0	0	0	(10,000)	10,000
Costs Described in IPR Total	**1,274,262**	**1,331,732**	**1,302,997**	**1,359,467**	**(56,470)**
Capital					
Bureau of Reclamation	114,929	138,037	126,483	110,774	15,709
Corps of Engineers	123,071	117,963	120,517	136,226	(15,709)
Columbia Generating Station	75,729	93,206	84,468	105,362	(20,894)
Fish and Wildlife	47,266	47,266	47,266	47,266	(0)
IT Asset Category	3,900	3,900	3,900	5,000	(1,100)
AFUDC	7,167	7,590	7,379	8,014	(636)
Capital Total	**372,062**	**407,962**	**390,012**	**412,642**	**(22,630)**

2.1 Changes from BP-18

Columbia Generating Station

Compared to BP-18, Energy Northwest has identified a total of $4 million of additional reductions. $3.5 million a year will be achieved through staffing attrition and continued implementation of cost-savings measures. The remaining $500,000 reduction is due to an adjustment for Nuclear Electric Insurance.

Energy Northwest also helped to identify $20.9 million annual average savings to its capital program in FY 2020 and 2021. These savings were made possible due to Energy Northwest's Long-Range Plan, which provides the ability to better plan and evaluate future capital needs.

Bureau of Reclamation and U.S. Army Corps of Engineers

Analysis of Corps and Reclamation historic spending levels resulted in a savings of $14 million per year compared to BP-18. Historically, the hydropower program applied an undistributed reduction to account for actual spending being less than the approved IPR spending levels. The anticipated underspend was in part planned for in the Federal Columbia River Power System performance metrics, where budget execution targets were set for the Corps and Reclamation at 95 percent of budget. As part of ongoing cost-management efforts, BPA is pursuing improved accuracy and rigor in budgeting and execution. Beginning in FY 2020, an undistributed reduction will no longer be used to capture the anticipated difference between approved and actual spending levels, and BPA is proposing to set Corps and Reclamation budget execution targets at 100 percent.

The federal hydropower capital program will continue its steady ramp up to $300 million per year. BPA and its federal partners are proposing no increase to the capital spending levels in the next rate case with a focus on execution at current spending levels as the program progressively ramps up toward $300 million by 2023.

Energy Efficiency

Energy Efficiency is holding program spending levels at initial IPR levels by maintaining conservation infrastructure costs flat relative to BP-18 while adjusting the conservation acquisition portion of funding. This adjustment reflects the accelerated early achievements in 2016 and 2017 toward the Northwest Power and Conservation Council's Seventh Power Plan goals, as well as insights gained from BPA's recently completed Resource Program. Overall, Energy Efficiency is reducing its FY 2020 and 2021 spending by $4.6 million per year relative to the BP-18 average, which is a 3.9 percent reduction. BPA expects that this funding level will enable it to acquire cost-effective conservation sufficient to meet BPA's forecast needs and meet the goals established in the 2016 EE Action Plan.

Fish and Wildlife

BPA remains committed to its obligations to mitigate for the operation of the federal hydropower system and to comply with all applicable environmental laws. The Fish and Wildlife program is also committed to supporting BPA's strategic plan and financial health objectives. Therefore, BPA will reduce spending by $30 million annually in fiscal years 2020 and 2021, in comparison to the BP-18 average and the initial IPR funding levels, to be able to manage program costs at or below inflation, including costs associated with additional spill. The Fish and Wildlife program has identified projects and programs that can sustain reductions and/or extended timeframes for implementation, while still maintaining compliance, progress toward program objectives and regional commitments. These reductions will be achieved through collaboration with stakeholders and an emphasis on projects that directly benefit fish and wildlife in a cost-effective manner.

BPA, the Corps and Reclamation are currently evaluating different options for operating, maintaining and configuring 14 dams on the Columbia and lower Snake rivers, including potentially breaching the four lower Snake River dams, as part of the Columbia River System Operations environmental impact statement process. Information on how to participate in this process is available at www.crso.info. BPA anticipates this EIS process to conclude with a decision in September 2021.

As part of the ongoing litigation on Columbia River System Operations, BPA and the Corps will continue to provide information to the National Wildlife Federation on certain planned projects at the four lower Snake River dam and reservoir projects through the end of the CRSO National Environmental Policy Act process. BPA, in coordination with the Corps and Reclamation, developed an asset management program, which guides when the agency replaces assets based on their value to the system, safety and environmental compliance. The agencies' decision to invest in the dams, including the four lower Snake River dam and reservoir projects, is made based on the crite ria and analyses identified in this program.

Non-Generation Operations and Power Internal Support

Compared to BP-18, non-generation operations costs and Power internal support costs decreased by $10.9 million. These reductions reflect reprioritization of workload and constrained funding in all aspects of the program, including staffing levels, service contracts, supplemental labor and reductions to Corporate and Chief Administrative Office costs. Reductions from Corporate and CAO include Technology Innovation, Corporate Strategy and Workplace Services. Please refer to the Corporate and CAO sections for additional detail.

3. TRANSMISSION SERVICES

OVERVIEW

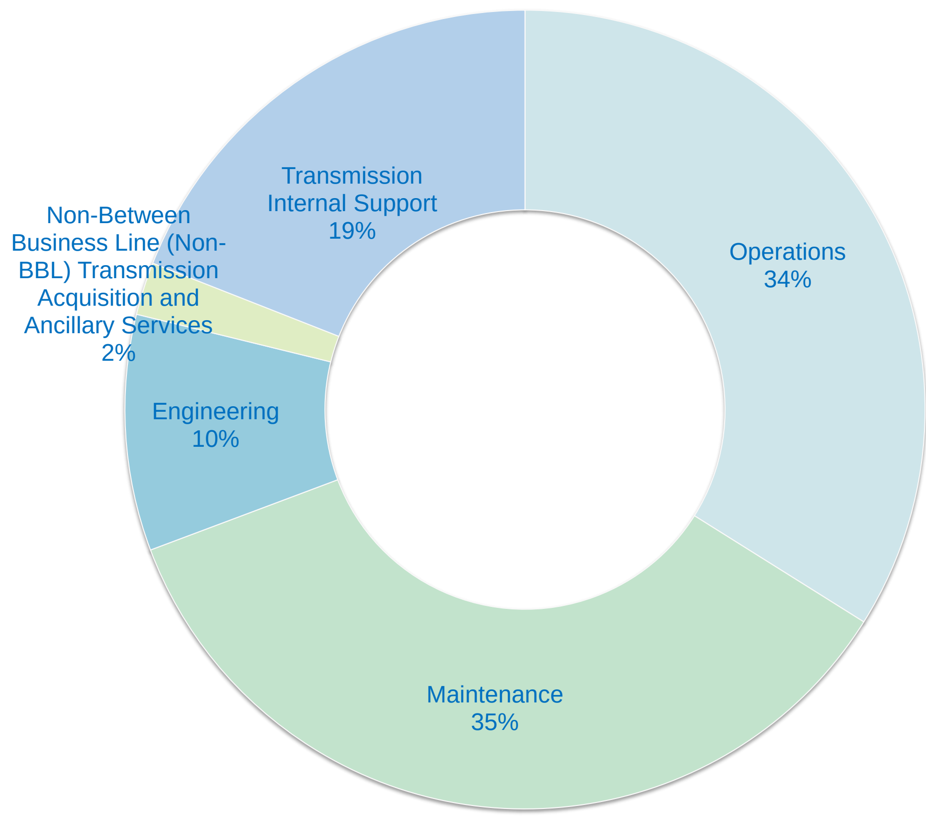
Transmission Services reduced planned spending levels from BP-18 by an average of $9.5 million per year.

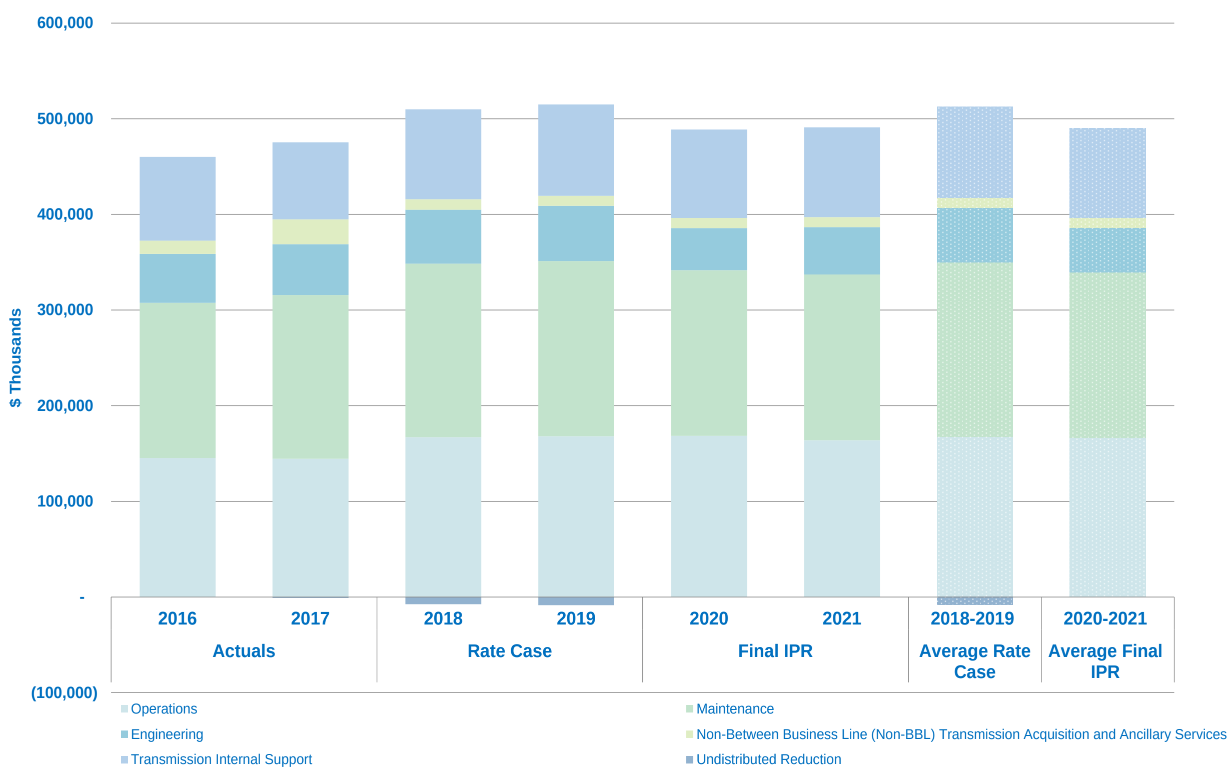
- Reduced proposed expenses related to capital work by $1 million.
- Reduced proposed expenses by $8 million related to the Supply Chain Cost-Management Initiative, the research and development program and Corporate Services costs allocated to Transmission.

Transmission Services scrutinized initial IPR levels using the agency strategy to prioritize spending, which resulted in taking steps to offset increasing costs, including personnel, elimination of the undistributed reduction that was applied in BP-18, and inflation. These increasing costs led to initial IPR spending levels that reflected a $3 million increase relative to BP-18 spending levels. While this increase was still significantly below the rate of inflation, Transmission committed to look for additional reductions in order to get at or below BP-18 levels for the final IPR.

Transmission Services has met this commitment by identifying an additional $12 million per year average reduction relative to the initial IPR. Thus, Transmission's final IPR planned spending levels are $9.5 million per year below BP-18 levels.

Transmission Services Expense Summary





Transmission Services Summary

($Thousands)	2020 Final IPR	2021 Final IPR	2020/2021 Average Final IPR	2018/2019 Average Rate Case	Delta
Costs Described in IPR					
Operations	168,490	163,854	166,172	167,529	(1,357)
Maintenance	173,074	173,283	173,179	177,353	(4,174)
Engineering	44,127	49,484	46,805	57,034	(10,229)
Non-Between Business Line Acquisitions and Ancillary Services	10,476	10,476	10,476	10,747	(272)
Transmission Internal Support	92,528	93,884	93,206	94,773	(1,567)
Undistributed Reduction/Other Income (Loss)	0	0	0	(8,044)	8,044
Costs Described in IPR Total	**488,694**	**490,981**	**489,838**	**499,392**	**(9,555)**
Capital					
Transmission Asset Category	297,068	304,530	300,799	313,794	(12,995)
PFIA	65,457	50,061	57,759	15,750	42,009
Other Asset Categories Within Transmission	50,838	44,942	47,890	49,757	(1,867)
Transmission Indirects	54,747	55,569	55,158	56,671	(1,513)
Corporate Indirects	46,873	47,041	46,957	58,165	(11,208)
AFUDC	31,552	30,248	30,900	24,776	6,124
Capital Total	**546,536**	**532,390**	**539,463**	**518,912**	**20,551**

3.1 Changes from BP-18

Transmission Services achieved an average reduction of $9.5 million per year compared to BP-18. $1 million of this reduction is due in part to a further review of planned capital work that resulted in a decrease in the associated expense component. An additional $4.5 million is due to the Supply Chain Cost-Management Initiative; $1 million is from reductions in Technology Innovation spending in the research and development program; and the remainder are reductions from Corporate and CAO costs that are allocated to Transmission. Please refer to the CAO section for additional detail on the Supply Chain Cost-Management Initiative.

Transmission's asset management program has established a $300 million per year direct capital spend starting in fiscal year 2020. This steady-state plan results in a $13 million per year reduction in Transmission asset category direct spending compared to the BP-18 Rate Case. This reduction is attributed to the Supply Chain and Transmission cost-management initiatives. The Transmission business unit continues to capture business efficiencies through various initiatives including: disciplined budgeting practices; executive-led cost management; improvement of the Capital Investment Acquisition process, which reduces time and rework on capital projects; and implementation of Project Management Institute portfolio management practices that have led to deferring a significant amount of lesser-value work. These initiatives are part of Transmission's continued effort to refine business practices to find efficiencies and continue to create the most value for BPA customers.

There is one additional event that could lead to further program level adjustments in 2020 and 2021 that is not reflected in this close-out. The Financial Accounting Standards Board issued an accounting standard update requiring organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Beginning in 2020, this new accounting lease standard will go into effect requiring reclassification of some operating leases to finance leases. Currently, the expectation is that this reclassification will reduce programmatic expenses and lead to a corresponding increase in depreciation, interest expense, and minimum required net revenues. The implementation of the new accounting lease standard is still under review and is subject to change.

4. CORPORATE

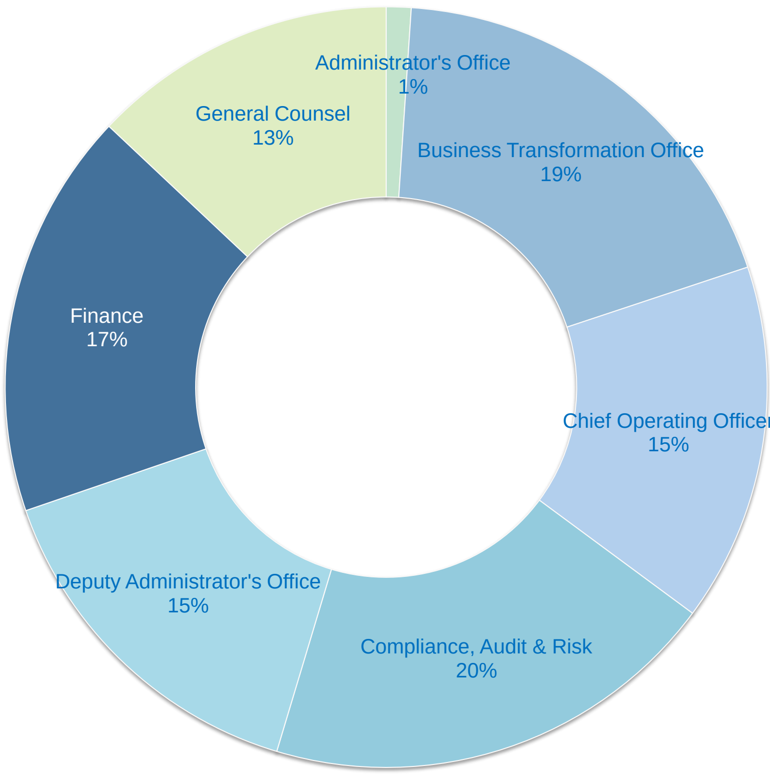
OVERVIEW

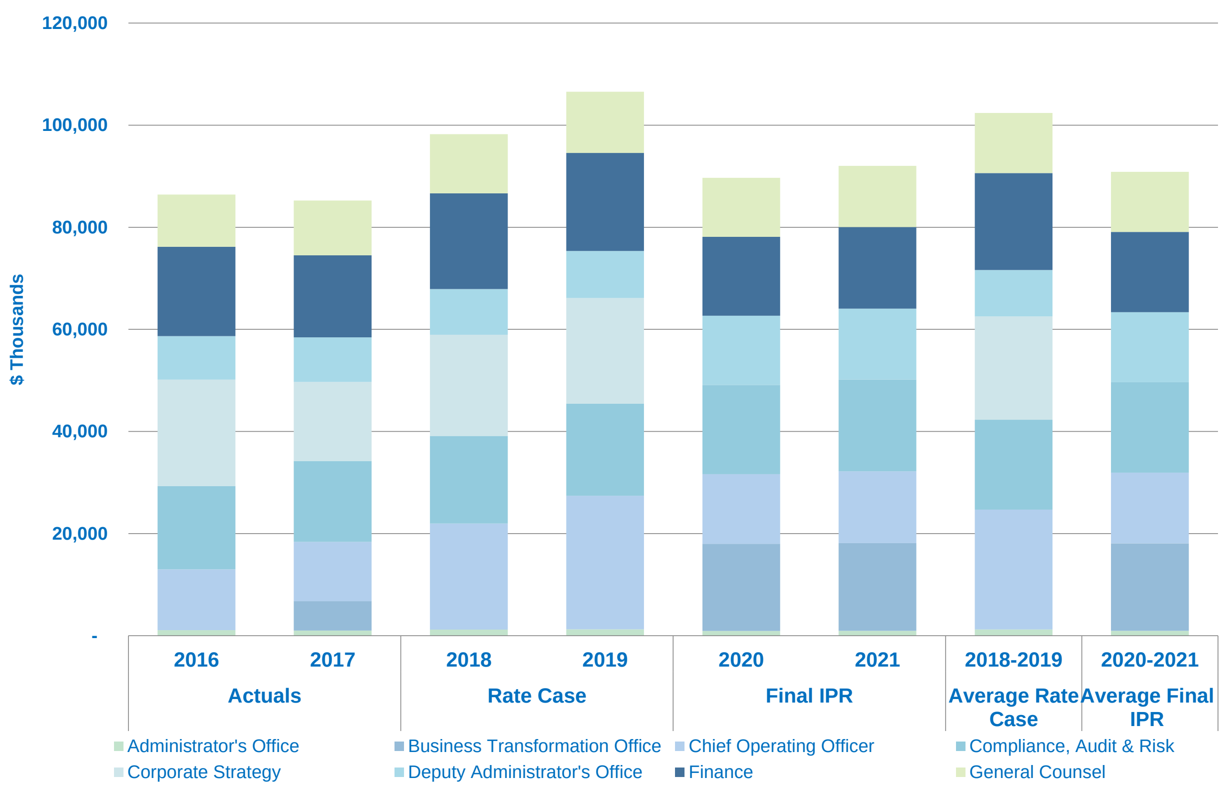
Corporate Services reduced planned spending levels from BP-18 by an average of $11.5 million per year.

- Reduced proposed expenses by an additional $6.2 million from the initial IPR spending levels.

Corporate focused on reviewing initial IPR spending levels to reprioritize and eliminate work. Corporate collaborated with the business lines to ensure these reductions would not adversely impact their ability to execute on core business functions and provide services to customers. Corporate reduced spending levels by $6.2 million per year from the initial IPR, a total difference of $11.5 million per year compared to BP-18. These reductions spanned most of the corporate departments and are described in more detail below.

Corporate Pool Expense Summary





($Thousands)	2020 Final IPR	2021 Final IPR	2020/2021 Average Final IPR	2018/2019 Average Rate Case	Delta
Administrator's Office Total	944	968	956	1,220	(264)
Business Transformation Office Total	17,065	17,168	17,117	0	17,117
Chief Operating Officer	4,561	4,650	4,605	13,242	(8,637)
Customer Support Services	9,073	9,417	9,245	10,227	(982)
Chief Operating Officer Total	13,633	14,067	13,850	23,469	(9,619)
Compliance, Audit & Risk Total	17,464	17,976	17,720	17,595	125
Corporate Strategy Total	0	0	0	20,261	(20,261)
Communications	4,598	4,771	4,684	5,017	(333)
Deputy Administrator's Office	678	701	690	411	279
Intergovernmental Affairs	3,349	3,437	3,393	3,643	(250)
Technology Innovation	4,933	4,972	4,952	0	4,952
Deputy Administrator's Total	13,558	13,880	13,719	9,071	4,648
Finance Total	15,451	15,975	15,713	18,987	(3,274)
General Counsel Total	11,570	11,998	11,784	11,788	(3)
Grand Total	89,686	92,033	90,860	102,391	(11,531)

4.1 Changes from BP-18

Corporate's continued cost-management focus yielded $6.2 million in savings from the initial IPR. The primary reductions are related to holding non-grid modernization related service contracts at FY 2018 levels, reducing Technology Innovation spending, removing spending associated with obsolete Key Strategic Initiatives, and holding spending for supplemental labor, materials, equipment, travel and training at FY 2018 levels.

In addition to reductions related to cost-management actions, changes from the initial IPR spending levels also include the phaseout of Corporate Strategy. Due to the creation of the Business Transformation Office, Corporate Strategy organizations have been eliminated (with the exception of Technology Innovation, which was transferred to the Deputy Administrator organization). However, the associated remaining expenses were transferred to Compliance, Audit and Risk, Power Services, and Transmission Planning, resulting in a net zero impact to the agency.

With these additional reductions from proposed IPR, Corporate has achieved a total of $11.5 million in expense reductions compared to the BP-18 Rate Case average.

Several commenters asked about the allocation of grid modernization costs between Power and Transmission. BPA will continue to use the 35/65 percent cost split for the Grid Modernization KSI for Power and Transmission. This allocation is based on BPA's best historical information and expectations over the 2020 and 2021 period.

Commenters also stated BPA should establish and formalize a routine process for the Grid Modernization Key Strategic Initiative in order to provide customers with status updates. BPA will provide key updates at the Quarterly Business Review. BPA is also developing a dashboard for the BPA.gov Initiatives webpage to provide visibility into the grid modernization focus areas.

On a related track, BPA is also holding a series of monthly energy imbalance market stakeholder meetings to help determine how and under what conditions BPA could join the Western EIM operated by the California Independent System Operator. As part of this public process, BPA will go through a formal record of decision process to decide if it is in BPA's and the region's best interests to join the EIM. If joining the EIM is determined to be beneficial, BPA would sign an EIM Implementation Agreement. Once a decision has been made whether to sign the EIM Implementation Agreement, BPA can begin work on the EIM implementation projects identified in the Grid Modernization program, but overall the spending would remain the same.

5. CHIEF ADMINISTRATIVE OFFICE

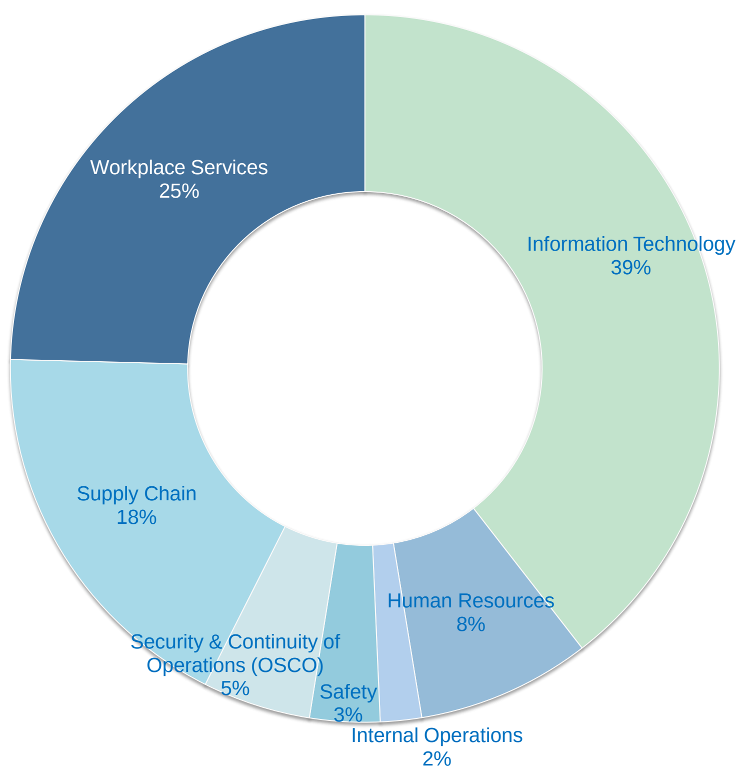
OVERVIEW

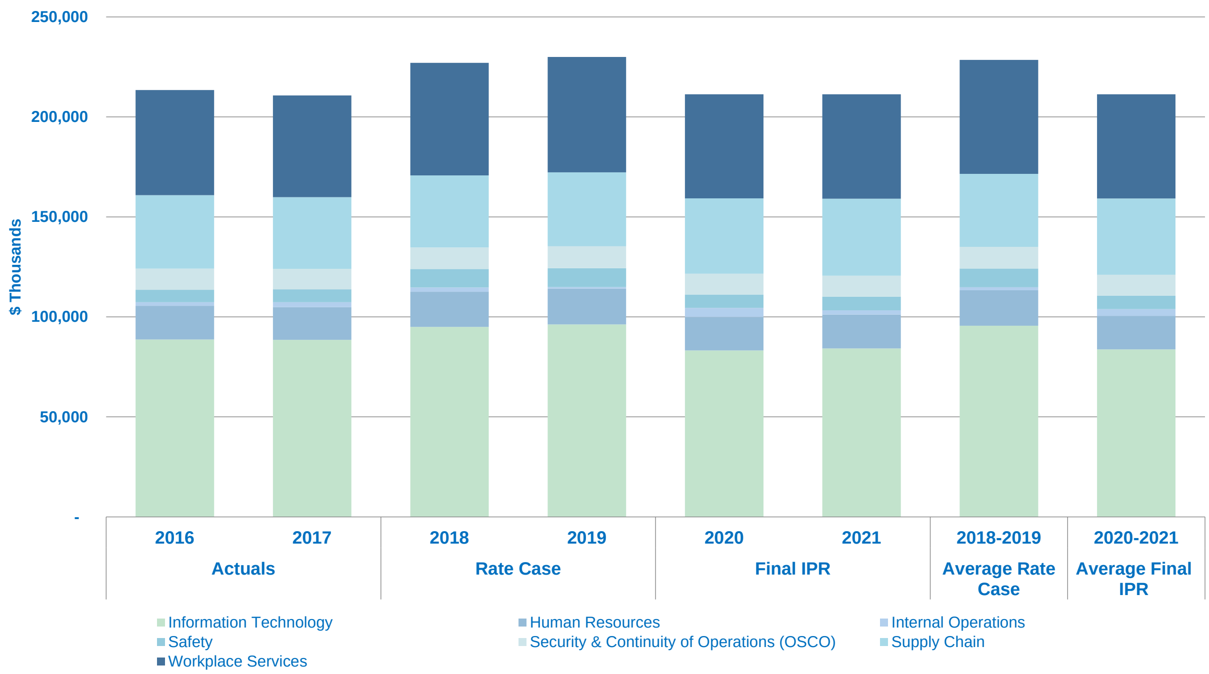
CAO reduced IPR planned spending levels from BP-18 by an average of just over $17.2 million per year.

- Reduced initial IPR expenses by $625,000 per year as a result of the Supply Chain Cost-Management Initiative.

The Chief Administrative Office presented an initial spending proposal that was nearly $17 million less than BP-18 spending levels by eliminating program expansions, significantly reducing IT costs, reducing supplemental labor, and reducing federal employees through attrition. For final IPR planned spending levels, the CAO found an additional $625,000 in expense reductions per year. In total, the CAO office is $17.2 million below BP-18 spending levels.

Chief Administrative Office Pool Expense Summary





($Thousands)	2020 Final IPR	2021 Final IPR	2020/2021 Average Final IPR	2018/2019 Average Rate Case	Delta
Safety	6,712	6,836	6,774	9,382	(2,608)
Information Technology	83,220	84,251	83,736	95,614	(11,879)
Human Resources Service Center	16,647	16,955	16,801	17,724	(923)
Internal Operations	4,617	2,094	3,356	1,476	1,880
Security & Continuity of Operations (OSCO)	10,399	10,490	10,445	10,836	(391)
Supply Chain	37,706	38,490	38,098	36,502	1,596
Workplace Services	52,038	52,223	52,130	56,980	(4,850)
Chief Administrative Office Total	211,339	211,339	211,339	228,513	(17,174)

The reductions from initial to final IPR consist of $625,000 in expenses resulting from the agency's Supply Chain Cost-Management Initiative, which will be realized across the entire CAO pool rather than the specific supply chain cost category. The Supply Chain Cost-Management Initiative is a cross-agency project to create sustainable improvements based on leading industry practices that increase the efficiency and effectiveness of BPA's supply chain while reducing overall spending through strategic sourcing, business process improvements, and technology application. Reducing supply chain costs will have a direct impact on expenses related to supplemental labor, contracting, inventory, and procurement of materials and supplies.

6. CAPITAL

BPA is implementing industry-leading practices and managing its asset management program with a critical focus on strengthening the agency's long-term financial health. BPA's initial IPR capital spending levels were informed by strategic asset plans that underwent significant planning and prioritization. For the final IPR, BPA re-examined its initial capital spending levels to reflect the most accurate short-term and long-term assumptions. BPA has confirmed the initial IPR levels and included an additional reduction of $15 million associated with the Supply Chain Cost-Management Initiative, which will reduce both Transmission and CAO capital spending levels.

	2018/2019	Final IPR									
($Thousands)	Average Rate Case	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Asset Category Direct Spending											
Transmission Direct	313,794	297,068	304,530	301,261	308,153	315,157	322,269	329,358	336,683	343,917	351,235
Federal Hydro	247,000	238,000	256,000	281,000	300,000	306,000	313,000	319,000	326,000	333,000	340,000
Columbia Generating Station	55,362	75,729	93,206	76,310	80,727	93,959	108,073	96,328	98,118	114,220	143,689
Facilities	26,450	29,646	23,254	17,224	41,678	51,667	4,344	27,400	27,900	28,500	29,000
Security	7,000	7,000	7,000	7,000	7,000	5,400	5,500	5,600	5,700	5,800	5,900
Fleet	6,950	4,825	5,325	6,325	6,325	6,625	7,125	7,325	7,925	7,925	8,125
IT	25,000	20,910	20,906	19,905	19,904	18,903	17,902	16,901	15,900	14,899	14,898
Fish & Wildlife	47,266	47,266	47,266	43,000	43,000	40,000	40,000	40,000	40,000	39,923	15,000
Environment	5,557	5,557	5,557	5,580	5,590	5,600	5,610	5,620	5,630	5,640	5,650
Direct Total	**734,379**	**726,001**	**763,044**	**757,605**	**812,377**	**843,312**	**823,823**	**847,532**	**863,857**	**893,824**	**913,497**
PFIA	15,750	65,457	50,061	45,134	29,914	30,041	30,000	30,000	30,000	30,000	30,000
Transmission Indirects	56,671	54,747	55,569	56,402	57,248	58,107	58,979	59,863	60,761	61,673	62,598
Corporate Indirects	58,165	46,873	47,041	47,835	48,647	49,472	50,307	51,143	51,980	52,811	53,647
AFUDC	33,119	31,552	30,248	30,920	31,609	32,311	33,022	33,732	34,440	35,139	35,842
Grand Total	**898,083**	**924,631**	**945,962**	**937,896**	**979,795**	**1,013,242**	**996,130**	**1,022,270**	**1,041,038**	**1,073,447**	**1,095,584**

7. CONCLUSION

The spending levels outlined in this document will be used in the BP-20 Rate Case, which covers fiscal years 2020 and 2021. These planned spending levels are just one of the many cost components that are included in BPA's rates. The BP-20 Initial Proposal will be released in November.

BPA and its many partners made a significant step forward in cost-management this IPR. This diligent work resulted in proposed spending levels that are lower than the initial IPR and significantly lower than BP-18 spending levels. These proposed spending levels are intended to address both BPA's cost-management and competitiveness objectives. BPA will continue to build on this momentum and further align spending with its strategic plan.

8. DISCLOSURES

8.1 Future adjustments

BPA conducts the IPR process to solicit and consider regional input on BPA's financial priorities for the upcoming rate period. Through this collaborative process, BPA and regional parties can have a meaningful dialogue regarding BPA's initial program spending levels. At the conclusion of the IPR process, BPA issues a close-out letter and report in which BPA describes how its program funding and spending projections were informed by the parties' comments. The projected program levels described in the close-out letter and report reflect the administrator's best estimate regarding the appropriate spending levels to assume in establishing revenue requirements.

The close-out of the IPR process does not mark the consummation of BPA's decision-making process on spending levels because further adjustments to BPA's spending projections may occur after the conclusion of the IPR. While the IPR close-out letter and report reflect the administrator's best estimate regarding the appropriate spending levels to assume in setting revenue requirements, these levels may be further modified by subsequent future events that lead to changing priorities or by subsequent judicial, executive or congressional action. Thus, while the IPR serves the important role of receiving regional input on the priorities for BPA spending, the resulting final program levels are only recommendations that may be subsequently modified.

BPA will share adjustments to spending projections at Quarterly Business Reviews.

8.2 Financial disclosure

FY 2018–2019 rate case forecast has been made publicly available by BPA and contains BPA-approved financial information.

FY 2020–2021 proposed IPR levels have been made publicly available by BPA on June 6, 2018, and reflect information not reported in BPA financial statements.

FY 2020–2021 Final IPR spending levels were made publicly available by BPA on Oct. 11, 2018, and reflect information not reported in the BPA financial statements.

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