

Q4 Quarterly Business Review Technical Workshop

Nov. 20, 2019

9:30 a.m. – 12:30 p.m.

Rates Hearing Room

WebEx: [Join Meeting](#)

Bridge: (415) 527-5035

Access Code: 906 688 923



Agenda

- **Introduction and Safety Moment (10 minutes)**
- **Fiscal Year 2019 Closeout (75 minutes)**
 - Financial Results
 - EOY Financial Reserves
- **15 Minute Break**
- **Grid Modernization (15 minutes)**
- **Program Plans (30 minutes)**
- **Q & A (30 minutes)**

Financial Results

Cheryl Hargin, Will Rector

Report ID: 0021FY19 **QBR Forecast Analysis: Power Services** Data Source: PFMS
 Requesting BL: POWER BUSINESS UNIT through the Month Ended September 30, 2019 Run Date/Time: November 06, 2019 / 03:26
 Unit of measure: \$ Thousands Preliminary / Unaudited % of Year Elapsed = 100%

		A	B	C
		FY 2019		FY 2019
		Rate Case	Actuals: FYTD	EOY Actuals - Rate Case
Operating Revenues				
1	Gross Sales (excluding bookout adjustment) <Note 2	\$ 2,594,524	\$ 2,599,019	\$ 4,495
2	Bookout Adjustment to Sales	-	(37,867)	(37,867)
3	Other Revenues	28,509	50,387	21,878
4	Inter-Business Unit	101,519	103,513	1,994
5	U.S. Treasury Credits	96,126	102,795	6,670
6	Total Operating Revenues	2,820,678	2,817,848	(2,830)
Operating Expenses (Integrated Program Review Programs)				
Power System Generation Resources				
7	Columbia Generating Station	327,354	323,519	(3,835)
8	Bureau of Reclamation	162,623	161,138	(1,485)
9	Corps of Engineers	256,057	253,007	(3,050)
10	Renewables	39,060	35,865	(3,195)
11	Generation Conservation	117,597	95,859	(21,738)
12	Subtotal Power System Generation Resources (IPR)	902,691	869,388	(33,303)
13	Power Non-Generation Operations	94,319	70,591	(23,728)
14	Fish and Wildlife/USF&W/Planning Council/Environmental Requirements	322,101	266,609	(55,492)
15	BPA Internal Support			
15	Additional Post-Retirement Contribution	15,620	21,088	5,468
16	Agency Services G&A	65,796	63,612	(2,185)
17	Undistributed Reduction	(10,000)	-	10,000
18	Sub-Total Integrated Program Review Operating Expenses	1,390,528	1,291,287	(99,240)
Operating Expenses (Non-Integrated Program Review Programs)				
Power System Generation Resources				
19	Long-term Contract Generating Projects	13,687	11,628	(2,059)
20	Operating Generation Settlement Payment	22,997	19,643	(3,354)
21	Non-Operating Generation	1,534	691	(843)
22	Gross Contracted Power Purchases and Augmentation Power Purchases	111,846	336,288	224,442
23	Bookout Adjustment to Power Purchases	-	(37,867)	(37,867)
24	Residential Exchange/IOU Settlement Benefits <Note 2	241,378	241,276	(103)
25	Generation Conservation (Non-IPR)	8,590	9,906	1,316
26	Subtotal Power System Generation Resources (Non-IPR)	400,033	581,564	181,532
27	Power Services Transmission Acquisition and Ancillary Services	211,640	168,641	(42,999)
28	Other Income, Expenses & Adjustments	(64,168)	(579)	63,589
29	Non-Federal Debt Service	420,704	228,450	(192,254)
30	Depreciation & Amortization	231,524	225,211	(6,313)
31	Sub-Total Non-integrated Program Review Operating Expenses	1,199,733	1,203,288	3,555
32	Total Operating Expenses	2,590,260	2,494,575	(95,685)
33	Net Operating Revenues (Expenses)	230,418	323,273	92,856
Interest Expense and (Income)				
34	Interest Expense	110,800	89,047	(21,753)
35	AFUDC	(8,307)	(16,730)	(8,423)
36	Interest Income	(2,341)	(6,832)	(4,491)
37	Net Interest Expense (Income)	100,152	65,484	(34,667)
38	Total Expenses	2,690,412	2,560,059	(130,353)
39	Net Revenues (Expenses)	\$ 130,266	\$ 257,789	\$ 127,523

<1 Although the forecasts in this report are presented as point estimates, BPA operates a hydro-based system that encounters much uncertainty regarding water supply and wholesale market prices. These uncertainties, among other factors, may result in large range swings +/- impacting the final results in revenues, expenses, and cash reserves.
 <2 The Residential Exchange Program expenses reflect the Scheduled Amount of REP benefits payments established in the 2012 REP Settlement Agreement. The Scheduled Amount of REP benefit payments incorporates a \$76,537,617 reduction in REP benefits to provide Refund Amount payments to COUs. The Refund Amount returned to the COUs is reflected through a reduction in the Gross Sales amount.

Power Services QBR Analysis: FY 19 Performance

(Note: Variance explanations are for +/- \$2M or greater)

Row 6 – Total Operating Revenues: \$3 million less than the Rate Case due to lower loads partially offset by higher secondary sales, other revenues and Treasury Credits.

Integrated Program Review Operating Expenses:

Row 7 – Columbia Generating Station: \$4 million less than Rate Case reflects cost management actions.

Row 8 & 9 – Bureau of Reclamation and Corps of Engineers: \$5 million less than Rate Case reflects a 99% execution rate consistent with year-end expectations.

Row 10 – Renewables: \$3 million lower reflects lower wind generation.

Row 11 – Generation Conservation (Energy Efficiency): \$22 million lower than Rate Case of which \$8 million was pulled forward from FY 2019's start-of-year budget to accommodate higher execution within the Conservation Purchases program in FY 2018. The remaining delta reflects cost management actions coupled with lower spending within the Conservation Purchases program.

Row 13 - Power Non-Generation Operations: \$24 million lower than Rate Case reflects cost management actions largely targeting labor related costs and moving Grid Mod costs to Agency Services G&A.

Row 14 - Fish & Wildlife: \$55 million lower than Rate Case reflects mitigation of the Spill Surcharge, delays caused by the government shutdown and compounding cost management actions.

Row 15 – Post Retirement Benefits: \$5 million above rate case reflecting higher revised rates determined by the Office of Personnel Management for the unfunded portion of retirement benefits.

Power Services QBR Analysis: FY 19 Performance

(Note: Variance explanations are for +/- \$2M or greater)

Non-Integrated Program Review Operating Expenses:

Row 19 – Long Term Contract Generating Projects: \$2 million lower than Rate Case due to Cowlitz Falls O&M being held to FY 18 budget levels.

Row 20 – Operating Generation Settlement: \$3 million lower than Rate Case to reflect actual Colville Settlement.

Row 22 – Gross Contracted Power Purchases: \$225 million greater than Rate Case reflects due to dry weather conditions, cold temperatures and higher market prices in February and March.

Row 27 – Transmission Acquisition & Ancillary Services : \$43 million lower than Rate Case reflects lower loads and lower 3rd Party GTA wheeling.

Row 28 – Other Income & Adjustments: \$64 million lower than Rate Case reflecting debt management actions used to offset the impact of expensing Energy Efficiency in lieu of capitalizing.

Row 29 - Non-Federal Debt Service: \$192 million lower than Rate Case due to refinancing Regional Cooperation Debt (RCD) to pay higher interest rate U.S. Treasury Debt which was not modeled in the rate case.

Row 30 – Depreciation and Amortization: \$6 million lower than Rate Case due to less plant in service caused by lower capital spending for F&W and Hydro.

Row 37 - Net interest Expense: \$35 million lower than Rate Case reflects interest savings from debt management actions not modeled in the Rate Case, greater interest income from higher Power Financial Reserves balance and higher AFUDC.

Row 39 – Total Net Revenues: \$258 million, which is \$127 million lower than Rate Case and \$31 million lower than the Net Revenue Target of \$289 million which adjust for debt management actions not modeled in the rate case.

Report ID: 0023FY19	QBR Forecast Analysis: Transmission Services	Data Source: PFMS
Requesting BL: TRANSMISSION BUSINESS UNIT	Through the Month Ended September 30, 2019	Run Date/Time: November 01, 2019 / 03:22
Unit of Measure: \$ Thousands	Preliminary / Unaudited	% of Year Elapsed = 100%

		A	B	C
		FY 2019		FY 2019
		Rate Case	Actuals: FYTD	EOY Actuals - Rate Case
Operating Revenues				
1	Sales	\$ 898,419	\$ 893,263	\$ (5,156)
2	Other Revenues	40,924	48,287	7,363
3	Inter-Business Unit Revenues	120,419	98,328	(22,091)
4	Total Operating Revenues	1,059,762	1,039,877	(19,885)
Operating Expenses (Integrated Program Review Programs)				
5	Transmission Operations	168,007	160,575	(7,432)
6	Transmission Maintenance	178,125	172,238	(5,887)
7	Transmission Engineering	57,718	47,701	(10,016)
8	Trans Services Transmission Acquisition and Ancillary Services	10,464	4,617	(5,847)
	BPA Internal Support		-	
9	Additional Post-Retirement Contribution	15,532	20,210	4,678
10	Agency Services G&A	80,075	81,413	1,337
11	Undistributed Reduction	(8,539)	-	8,539
12	Sub-Total Integrated Program Review Operating Expenses	501,381	486,754	(14,627)
Operating Expenses (Non-Integrated Program Review Programs)				
13	Trans Services Transmission Acquisition and Ancillary Services	101,519	103,513	1,994
14	Transmission Reimbursables	9,936	11,927	1,990
15	Other Income, Expenses and Adjustments	-	(4,969)	(4,969)
16	Depreciation & Amortization	290,216	305,720	15,504
17	Sub-Total Non-Integrated Program Review Operating Expenses	401,671	416,191	14,519
18	Total Operating Expenses	903,053	902,945	(108)
19	Net Operating Revenues (Expenses)	156,709	136,933	(19,777)
Interest Expense and (Income)				
20	Interest Expense	192,927	166,311	(26,616)
21	AFUDC	(24,819)	(15,723)	9,096
22	Interest Income	(3,940)	(2,988)	952
23	Net Interest Expense (Income)	164,168	147,600	(16,567)
24	Total Expenses	1,067,220	1,050,545	(16,675)
25	Net Revenues (Expenses)	\$ (7,458)	\$ (10,668)	\$ (3,210)

Transmission Services QBR Analysis: FY 19 Performance

(Note: Variance explanations are for +/- \$2M or greater)

Row 4 – Total Operating Revenues: \$20 million below rate case due to lower network Point-to-Point service due to customer deferrals that were factored into the SOY forecast and a further decrease in the sales due to a lower than normal hydro year, lower Ancillary System and Control and Dispatch revenue due to the corresponding reduction in network revenues, and lower Energy/Generation Imbalance revenues due to lower imbalance volumes than anticipated.

Integrated Program Review Operating Expenses:

Row 5 – 7 - Transmission Operations, Maintenance, and Engineering: Ended the year \$23 million below rate case due to achieving the reductions incorporated into the start of year budget to meet BPA's cost management objective.

Row 8 – Acquisition and Ancillary Services: \$6 million below rate case due to lower leased facilities expense based on a comprehensive review of leases performed earlier in the year and lower Reliability and lower Demand Response/Re-dispatch expenses since there were no non-wires projects submitted this fiscal year.

Row 9 – Additional Post Retirement Contribution: \$5 million above rate case reflecting higher revised rates determined by the Office of Personnel Management for the unfunded portion of retirement benefits.

Row 11 – Undistributed Reduction: Due to assigning the \$8 million undistributed reduction in rate case to rows 5, 6 and 7 at the start of the year.

Non-Integrated Program Review Operating Expenses:

Row 13 – Transmission Acquisition and Ancillary Services: \$2 million higher than rate case due to higher acquisition and ancillary services. These costs are offset with corresponding revenues.

Row 14 – Transmission Reimbursables: \$2 million higher reimbursable requests. These costs are also offset with corresponding revenues.

Transmission Services QBR Analysis: FY 19 Performance

(Note: Variance explanations are for +/- \$2M or greater)

Row 15 – Other Income, Expenses and Adjustments: \$5 million credit to expense reflects a settlement for a vendor to provide insulators worth \$2 million at no cost to BPA, and other reimbursements related to prior year transactions, and inventory cycle count adjustments.

Row 16 – Depreciation and Amortization: \$15 million above rate case as a result of the depreciation study that was completed after BP-18 was final. Although higher than rate case, this expense ended up coming in \$28 million less than what was forecasted at the start of the year since less plant was put into service than anticipated.

Row 23 – Net Interest Expense: \$17 million below rate case due to much lower lease financing interest than what was anticipated in rate case.

Agency Capital Expenditures: FY 19 Performance

Report ID: 0027FY19
 Requesting BL: Corporate Business Unit
 Unit of Measure: \$Thousands

BPA Statement of Capital Expenditures
 Through the Month Ended September 30, 2019
 Preliminary / Unaudited

		A	B	
		FY 2019	FY 2019	
		Rate Case	Actuals: FYTD	Variance (Actuals - Rate Case)
Transmission Business Unit				
1	MAIN GRID	\$ 40,884	\$ 6,595	(34,288)
2	AREA & CUSTOMER SERVICE	48,967	70,828	21,861
3	SYSTEM REPLACEMENTS	329,441	214,680	(114,761)
4	UPGRADES & ADDITIONS	78,465	54,333	(24,132)
5	ENVIRONMENT CAPITAL	7,625	8,409	784
<u>PFIA</u>				
6	MISC. PFIA PROJECTS	6,827	54,467	47,640
7	GENERATOR INTERCONNECTION	13,654	21,615	7,961
8	SPECTRUM RELOCATION	683	786	103
9	CAPITAL INDIRECT, undistributed		(129)	(129)
10	TOTAL Transmission Business Unit	526,547	431,585	(94,962)
Power Business Unit				
11	BUREAU OF RECLAMATION <Note 1	141,814	38,871	(102,943)
12	CORPS OF ENGINEERS <Note 1	124,168	160,790	36,622
13	POWER INFORMATION TECHNOLOGY	5,000	122	(4,878)
14	FISH & WILDLIFE <Note 2	44,000	22,313	(21,687)
15	TOTAL Power Business Unit	314,982	222,095	(92,887)
Corporate Business Unit				
16	CORPORATE BUSINESS UNIT	16,525	9,627	(6,898)
17	TOTAL Corporate Business Unit	16,525	9,627	(6,898)
18	TOTAL BPA Capital Expenditures	\$ 858,054	\$ 663,307	(194,747)

< 1 Excludes projects funded by federal appropriations.
 < 2 Amounts are reported as regulatory assets and not utility plant

Agency Capital Expenditures: FY 19 Performance

(Note: Variance explanations are for +/- \$2M or greater)

Transmission Business Unit

Row 1 – Main Grid: \$34 million less than rate case mainly due to under execution in the wood pole program and contractor delays.

Row 2 – Area and Customer Service: \$22 million more than rate case due to a shift to more Sustain projects.

Row 3 – System Replacements: \$114 million less than rate case due to limited outage availability on highly utilized transmission paths which delayed construction work.

Row 4 – Upgrades and additions: \$24 million less than rate case due to more resources moving to the Sustain program.

Rows 6-8 – Projects Funded in Advance (PFIA): \$56 million higher than rate case because resources were concentrated to meet higher priority PFIA commitments.

Power Business Unit

Row 11 – Bureau of Reclamation: \$103 million less than rate case because major capital projects were delayed or cancelled that were planned in the rate case due to reprioritization efforts.

Row 12 – Corps of Engineers: \$37 million more than rate case largely due to reprioritizing capital funding from the BOR to high value projects and work within the COE that could be accomplished in FY19.

Row 13 – Power Information Technology: \$5 million less than rate case because of execution delays and some capital work planned in the rate case no longer qualifies as capital.

Row 14 – Fish and Wildlife: \$22 million less than rate case primarily due to water permitting issues which prevented hatchery construction work and land acquisition delays.

Corporate Business Unit

Row 16 – Corporate Business Unit: \$7 million less than rate case mainly due to corporate IT work no longer qualifying for capitalization.

EOY Financial Reserves

Damen Bleiler & Nadine Coseo

Financial Reserves – EOY Results

FY2019 EOY RESERVES CROSSWALK

						A	B	C	D	E
(in \$ Thousands)						BP-18		FY-19		Delta
POWER						FY 2019	Days Cash	EOY Actuals	Days Cash	EOY to RC (C - A)
1	PS RESERVES for RISK					61,000	12	202,782	43	141,782
2	PS RESERVES not for RISK					78,800		140,638		61,838
3	PS TOTAL RESERVES					139,800		343,420		203,620
TRANSMISSION										
4	TS RESERVES for RISK					368,539	220	281,474	170	(87,065)
5	TS RESERVES not for RISK					40,000		148,157		108,157
6	TS TOTAL RESERVES					408,539		429,630		21,091
AGENCY										
7	RESERVES for RISK					429,539	62	484,256	76	54,717
8	RESERVES not for RISK					118,800		288,795		169,995
9	AGENCY TOTAL RESERVES					548,339		773,051		224,712

Financial Reserves – EOY Results Drivers

- Power Reserves for Risk were approximately \$142 million higher than the rate case forecast. The primary drivers are:
 - The \$182m transfer from Transmission to Power for the correction of the historical reserves allocation error **increased** Power Reserves for Risk.
 - Offset by **underperformance** over the rate period, compared to rate case expectations.

- Transmission Reserves for Risk were approximately \$87m lower than the rate case forecast. The primary drivers are:
 - The \$182m transfer from Transmission to Power for the correction of the historical reserves allocation error **decreased** Transmission Reserves for Risk.
 - Offset by **better than anticipated performance** over the rate period, compared to rate case expectations.

Financial Reserves Update - Crosswalk

Power Services Reserves (Cash)

For the Year Ended September 30, 2019 (\$ in Millions)

	POWER
1 Cash Flows from Operating Activities	
2 Net revenues (expenses)	257.8
3 Adjustments to reconcile NR to cash provided by operations	
4 Depreciation and amortization	225.2
5 Capitalization Adjustment	(45.9)
6 PrePay - Non Federal Investment	10.7
7 Non Cash Revenue	(34.12)
8 Changes in:	
9 Miscellaneous, AP / AR Change	(35.5)
10 Net cash provided by operating activities	378.2
11	
12 Cash Flows from Investing Activities	
13 Investments in utility plant, including AFUDC	(281.3)
14 Net cash used for investing activities	(281.3)
15	
16 Cash Flows from Financing Activities	
17 Cash Sources- Financing	
18 Federal Borrowings	50.0
19 Non-Federal Borrowing	232.8
20 Appropriations Funding	55.6
21 Energy Efficiency Funds from RNFR	60.5
22	
23 Cash Uses- Financing	
24 Federal Bond Repayment	(195.6)
25 Fed Appropriations Repayment	(227.1)
26 Non-Federal Debt Payment	(141.1)
27 Reduction to Deferred Borrowing for PrePay	(81.6)
28 Irrigation Assistance	(56.6)
29 Net cash provided by financing activities	(303.1)
30	
31 Net increase (decrease) in cash and cash equivalents	(206.2)
32 Cash and cash equivalents at beginning of year	59.5
33 Transfer to Correct for Historical Allocation Error	182.3
34 Deferred Borrowing Beginning Balance	131.7
35 Deferred Borrowing FY19 Change	176.2
36 Total FY19 EOY Balance	343.4

Power FY19 EOY Reserves for Risk	202.8
Reserves Not for Risk	140.6
Total Reserves	343.4

Transmission Services Reserves (Cash)

For the Year Ended September 30, 2019 (\$ in Millions)

	TRANSMISSION
1 Cash Flows from Operating Activities	
2 Net revenues (expenses)	(10.7)
3 Adjustments to reconcile NR to cash provided by operations	
4 Depreciation and amortization	305.7
5 Amortization of Capitalized Bond Premiums	0.6
6 Capitalization Adjustment	(19.0)
7 Credit Projects Net Interest (LGIA interest)	4.5
8 Non Cash Revenues	(30.1)
9 Changes in:	
10 Miscellaneous, AP / AR Change	(25.2)
11 Net cash provided by operating activities	225.8
12	
13 Cash Flows from Investing Activities	
14 Investments in utility plant, including AFUDC	(437.8)
15 Net cash used for investing activities	(437.8)
16	
17 Cash Flows from Financing Activities	
18 Cash Sources - Financing	
19 Federal Borrowings	130.0
20 Non Federal Borrowing	3.9
21 Third Party Financing	142.7
22 Reserve Financing	15.0
23	
24 Cash Uses - Financing	
25 Federal Bond Repayment	(234.8)
26 Federal Appropriations Repayment	(.4)
27 Non-Federal Debt Repayment	(16.9)
28 Reduction to Deferred Borrowing for Reserve Financing	(15.0)
29 Net cash provided by financing activities	24.5
30	
31 Net decrease in cash and cash equivalents	(187.6)
32 Cash and Cash Equivalents at Beginning of Year	441.4
33 Transfer to Correct for Historical Allocation Error	(182.3)
34 Deferred Borrowing Beginning Balance	206.7
35 Deferred Borrowing FY19 Change	151.4
36 Total FY19 EOY Reserves	429.6

Transmission FY19 EOY Reserves for Risk	\$ 281.5
Reserves Not for Risk	\$ 148.2
Total Reserves	\$ 429.6

Financial Reserves Policy & Rate Adjustment Mechanisms

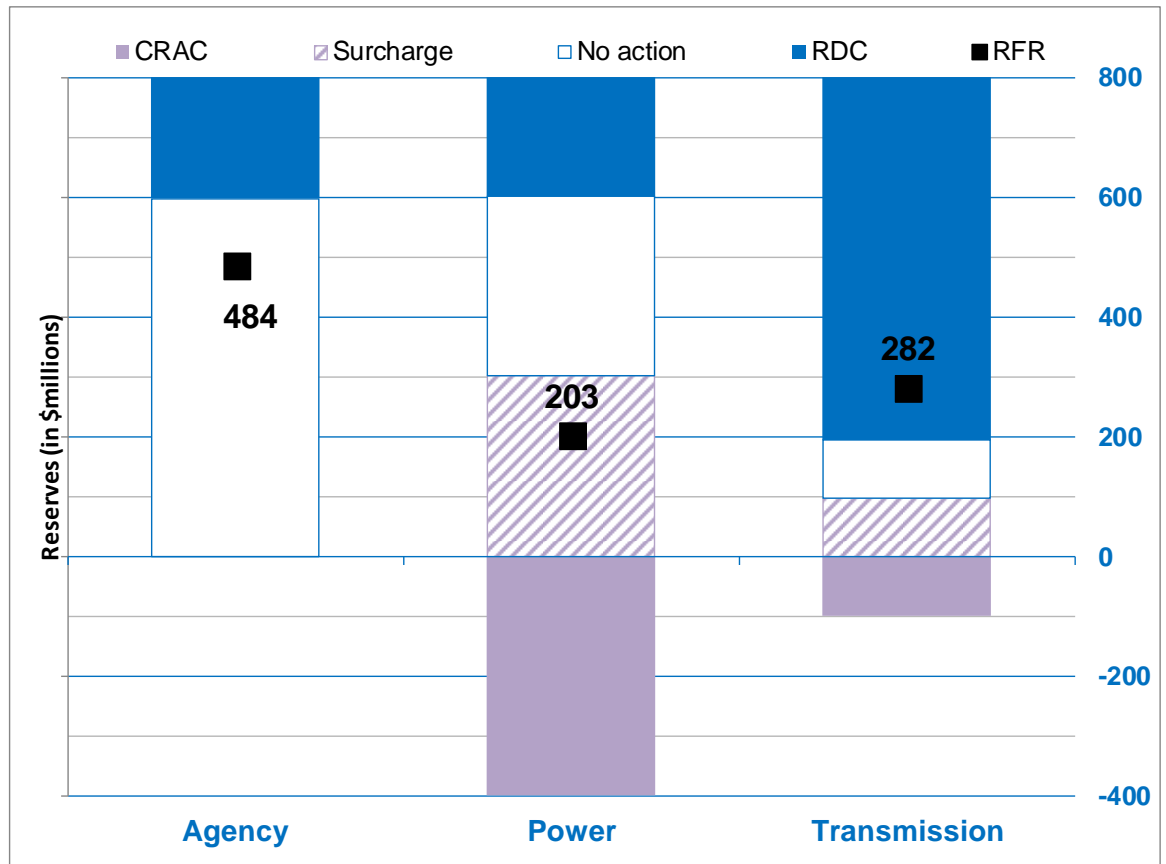
- The CRACs, FRP Surcharges, and RDCs for FY-20 Power and Transmission rates trigger based off of end of year Actuals.
- Results here are shown in terms of Reserves for Risk (RFR). The actual metric for triggering the mechanisms is Accumulated Calibrated Net Revenue (ACNR), which is a net revenue based value, adjusted to align with RFR.
- The CRAC for each business line is set at \$0.
- The FRP Surcharge for each business line is set at 60 days cash.
- The RDC has two requirements: above 120 days cash for the business line and the Agency must be above 90 days cash.

Financial Reserves Policy Implementation Results

- Power
 - The CRAC and RDC do not trigger
 - The FRP Surcharge triggers for \$30 million, which is the maximum amount. FY 20 Power Rates will be adjusted for Dec 1 – Sept 30.

- Transmission
 - The CRAC, FRP Surcharge, and RDC do not trigger.
 - Transmission is above the business line RDC threshold, but the Agency is not above the agency threshold. Both tests must pass for an RDC to trigger.

Financial Reserves Policy Implementation



Reserves Review Update – BU Cash Split

Action Plan Development

- An action plan to address the issues identified in the review of the BU Cash Spilt model is underway with an estimated completion date of 6/30/2020.
- Focus areas of the plan: controls development; improved oversight, documented in policy and procedures; improved records management; and improved documentation of the model methodology and assumptions.

Action Plan Progress

- Controls were run against the FY19 end of year BU Cash split output to validate the results of the model.
 - Performed controls against all modules in the BU Split model.
 - In total performed 25 controls, many of which are validation of results back to PS Financials.
- Next steps are to focus on improved documentation of the controls, procedures and policies, as well as developing a stronger cross Finance review process.

Other Financial Review Updates

Reserves Forecast Review

- The first phase of the review of the Reserves Forecast process is complete; the forecast process has been mapped, with all inputs identified and some high-level areas for improvement outlined.
- The next phase will look at process improvement actions, such as:
 - Assessing whether the sources of inputs identified can be improved or automated.
 - Engaging a cross-finance team to re-examine the forecast approach altogether.

Broader Finance Review

- A broader Finance Review project has kicked off that aims to capture the universe of critical and complex models, spreadsheets and processes within Finance.
- An initial risk-ranking of the critical areas has been completed; this will drive the sequencing of the review process. Each review will start with mapping the current state.
- Next steps: develop a more structured project plan and assess resource options for process mapping and current state evaluation.

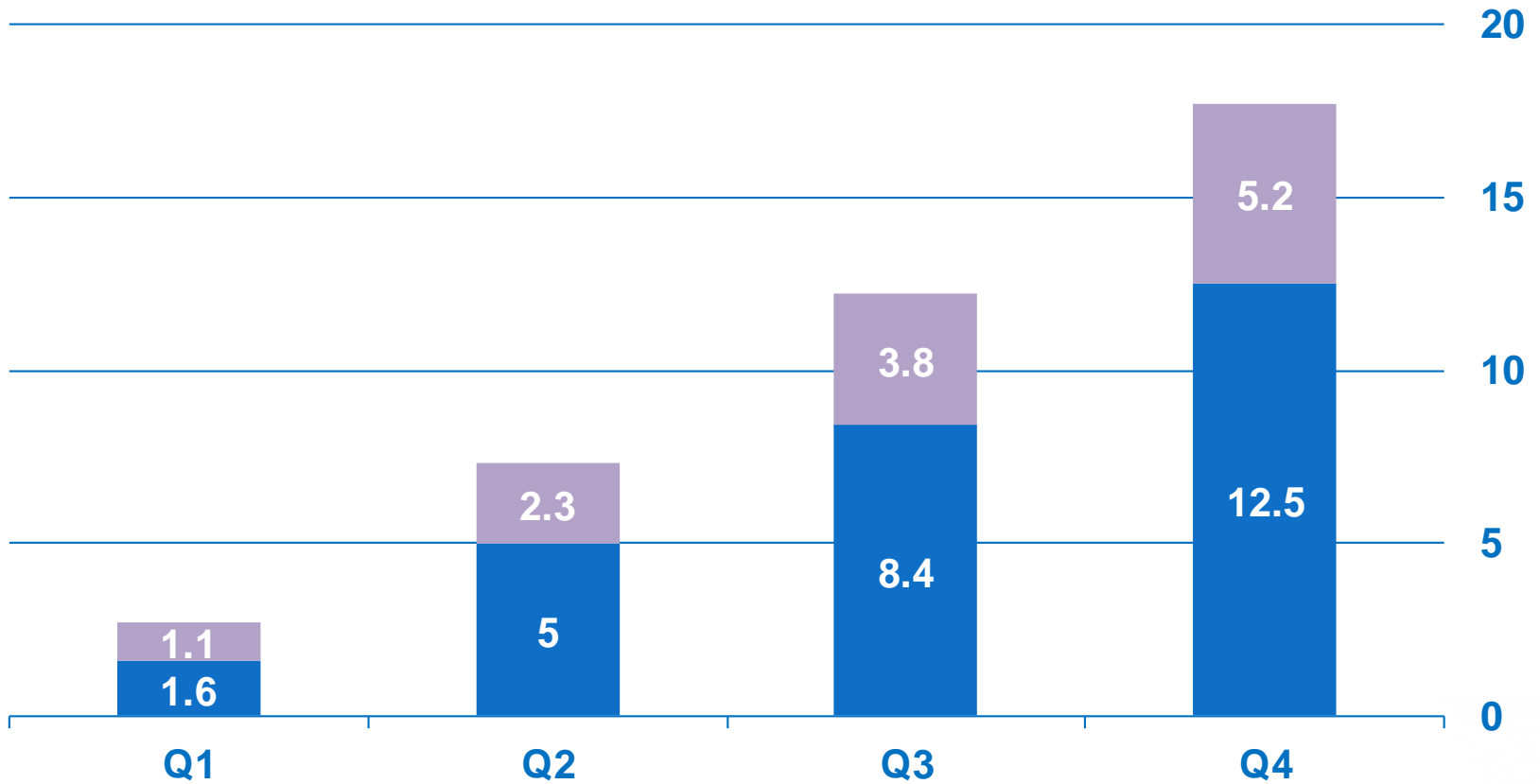
Grid Modernization

Allie Mace

FY 2019 Spending

Cumulative expenses in millions of dollars

■ Incremental ■ Existing



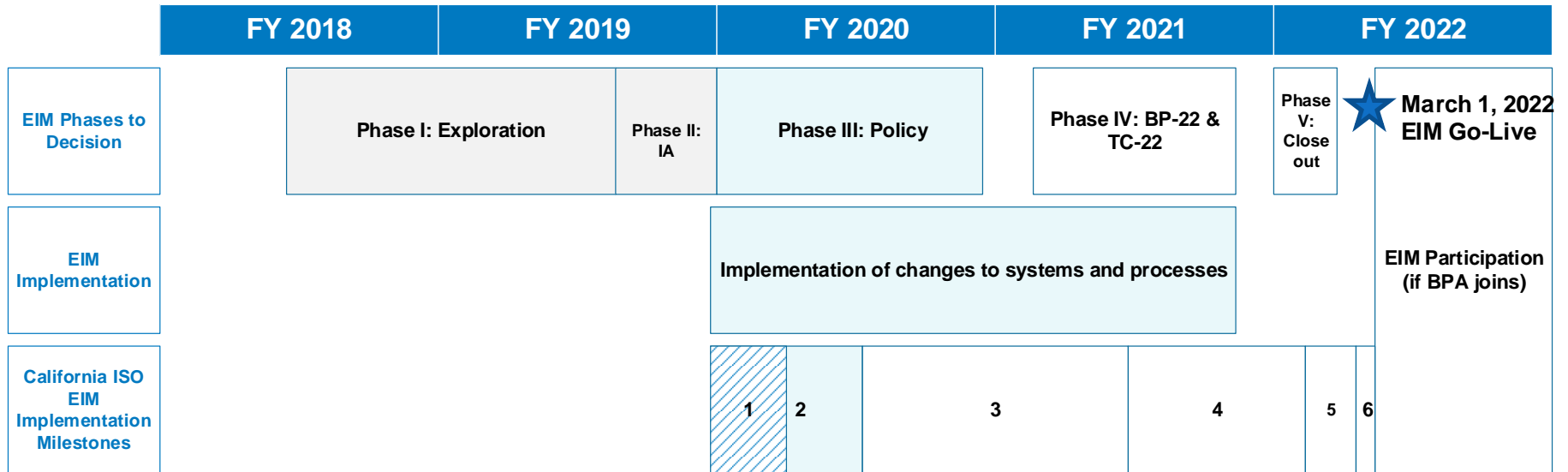
Project Highlights

- **Reliability Coordinator**
 - Transition from Peak Reliability to RC West completed on Nov. 1, 2019.
- **Automatic Generation Control**
 - Enhancements in 2019 enable additional capacity marketing from the hydro system.
- **Coordinated Transmission Agreement**
 - Formalizes operations and data sharing with the California Independent System Operator.
- **Metering Review and Update**
 - Completed significant portions of effort to inventory every interchange, generation and load meter and identify where upgrades needed.

Accomplishments

- To date, BPA has completed 4 projects.
- In FY 2019, more than doubled the number of projects were moved out of scoping and into deliver.
- Signed implementation agreement with the California Independent System Operator to move forward with joining the Western Energy Imbalance Market.

EIM Timeline



More Information

On grid modernization:

www.bpa.gov/goto/gridmodernization

On EIM:

www.bpa.gov/goto/eim

Program Plans

Marchelle Watson

Business Management Infrastructure

Bonneville
POWER ADMINISTRATION



Business Management Infrastructure



In pursuit of aligning **goals, accountability, investment, and execution** across BPA's organizations and business lines, the **Business Management Infrastructure (BMI)** framework has been integrated. This fulfills explicit commitments made in our Strategic Plan.



The BMI Team is a cross-functional team sponsored by Marchelle Watson and supported by the Business Transformation Office (BTO), Finance, and Enterprise Risk Management (ERM)



The BMI focus is to stand-up a system/structure to improve Agency-wide business performance and support the achievement of BPA Strategic Plan. Core outcomes include:

- ✓ **More transparent costs**
- ✓ **Fewer organizational silos**
- ✓ **More data-informed decisions**
- ✓ **Better performance measurement**
- ✓ **Improved interdepartmental planning**
- ✓ **Education and tools (such as the Operating and Program Plans)**

Business Management Infrastructure History



BMI Planning Cycle



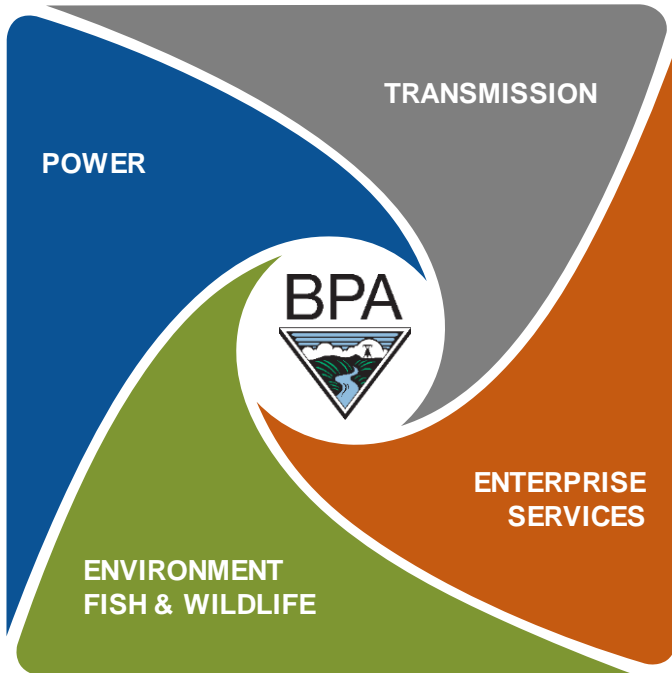
Program Plans **define, link and measure** key elements of the business.

Program Plans **drive collaboration, cooperation and management** of critical business relationships.

More importantly, Program Plans **make the business structure and costs more visible** resulting in greater manageability and improved decision-making.

BMI Planning Plans Inventory

8 Program Plans



Power



- Asset Management Program Plan
- Commercial Activities Program Plan
- Operations Program Plan

Transmission



- Asset Management Program Plan
- Commercial Activities Program Plan
- Operations Program Plan

Enterprise Services



- Enterprise Services Program Plan

Environment, Fish, & Wildlife



- EF&W Program Plan

BMI Planning Plans Business Line Reporting

Through metrics,
Programs Plans
help track
business line
performance.



Risks
Initiatives
Objectives
Financials
Outputs

BMI Program Plans Looking into FY20



Q & A

Financial Disclosures

This information has been made publicly available by BPA on Nov. 18, 2019 and does not contain Agency-approved Financial Information.

Appendix

Slice Reporting
Composite Cost Pool Review
Forecast of Annual Slice True-Up
Adjustment

Q4 Forecast of FY 2019 Slice True-Up Adjustment

	FY 2019 Forecast \$ in thousands
January 29, 2019 First Quarter Business Review	\$(13,050)*
April 30, 2019 Second Quarter Business Review	\$(2,474)
July 30, 2019 Third Quarter Business Review	\$2,842
November 15, 2019 Fourth Quarter Business Review	\$(3,263)

Summary of Differences from Q4 Forecast to FY 2019 (BP-18)

#		Composite Cost Pool True-Up Table Reference	QTR4 – Rate Case \$ in thousands
1	Total Expenses	Row 104	\$(263,185)
2	Total Revenue Credits	Rows 124 + 133	\$1,896
3	Minimum Required Net Revenue	Row 151	\$251,341
4	TOTAL Composite Cost Pool (1 - 2 + 3) $\$(263,185) - \$1,896 + \$251,341 = \$(13,740)$	Row 153	\$(13,740)
5	TOTAL in line 4 divided by <u>0.9572526</u> sum of TOCAs $\$(13,740) / \underline{0.9572526} = \$(14,354)$	Row 158	\$(14,354)
6	QTR Forecast of FY 19 True-up Adjustment 22.7358 percent of Total in line 5 $0.227358 * \$(14,354) = \$(3,263)$	Row 159	\$(3,263)

Variances Related to Debt Management Actions

FY 19 Q4 QBR Composite Cost Pool True-Up Table (\$000)

#	Line Item	CCP Reference	Variance from Rate Case
1	RCD Effect in Other Income, Expenses, Adjustment	Row 80	(3,668)
2	Expense Offset	Row 81	(1)
3	EN Debt Service Total	Row 88	(192,253)
4	Federal Appropriations and Borrowings from US Treasury in Net Interest Expense	Row 100	(21,753)
5	Cash Payments for Federal debt principal, Repayment of Non-Federal Obligations	Row 139	471,772
6	Non-Cash Expenses	Row 143	(227,000)
7	Customer Proceeds and Bond Call	Row 144 & 145	256
	Total		27,353

Variances Related to Non-Debt FY 19 Q4 QBR Composite Cost Pool True-Up Table (\$000)

#	Line Item	CCP Reference	Variance Impacts
1	Operating Generation, Colville, & Decommissioning	Row 8, 12, 16	(14,626)
2	PNCA, Other Power Purchases & REP	Row 20 & 26	91,533
3	Renewables & Gen. Conservation	Row 30 & 40	(21,399)
4	Power Non-Generation Operations	Row 61	(22,995)
5	Power Services Trans Acq. & Ancillary	Row 68	(23,735)
6	Fish & Wildlife, Internal Support & LDD & Rate Discounts	Row 74, 78, & 101 & 102	(53,573)
7	Bad Debt Expense, Undistributed reductions in Other Income, Expenses, Adjustments	Row 79 & 80	16,798
8	Composite Interest Income, Prepay offset, AFUDC in Net Interest Expense	Row 100	(11,186)
9	Total Revenue Credit increase	Row 124	(3,448)
10	DSI Revenue Credit decrease	Row 132	1,551
	Total		(41,093)

FY 19 Impacts of Debt Management Actions

FY19 Impacts of Acceleration of Debt				
#	Description	FY19 Q4 QBR	CCP	Delta from the FY19 rate case
1	Expense Offset			
2	FY19 Energy Efficiency Offset	\$ (60,500,000)		
3	2019 DSR ^{Note 1}	\$ (583)		\$ (583)
4	Total Expense Offset	\$ (60,500,583)	row 81	
5	<u>MRNR Section of Composite Cost Pool Table</u>			
6	Principal Payment of Federal Debt			
7	2019 Regional Cooperation Debt (RCD)	\$ 83,124		\$ 83,124
8	2019 Debt Service Reassignment (DSR)	\$ 583		\$ 583
9	Prepay	\$ -		\$ -
10	Energy Northwest's Line Of Credit (LOC)	\$ 227,000,000		\$ 227,000,000
11	Rate Case scheduled Power Principal \$173M plus \$22M Amort Shift	\$ 196,250,000		\$ 22,000,000
12	Total Principal Payment of Fed Debt ^{Note 2}	\$ 423,333,707	row 136	
13	Repayment of Non-Federal Obligations	\$ 222,611,293	row 137	\$ 222,611,293
14	Customer Proceeds ^{Note 3}	\$ -	row 144	\$ -
15	Non-Cash Expenses ^{Note 3}	\$ 227,000,000	row 143	\$ (227,000,000)
16	Energy Northwest Debt Service			
17	COLUMBIA GENERATING STATION DEBT SVC	\$ 134,375,618	row 84	\$ (209,125,353)
18	WNP-1 DEBT SVC	\$ 41,088,389	row 85	\$ 892,120
19	WNP-3 DEBT SVC	\$ 43,751,699	row 86	\$ 11,453,408
	Note 1: We placed the DSR in the Expense Offset per the BP-18 rate case.			
	Note 2: At year end, the final number will match the appropriation payment number in the Final Amortization Plan for Power			
	Note 3: The Customer Proceeds and Non-Cash Expenses are subtracted from the payments in the MRNR section			

Composite Cost Pool Interest Credit

Allocation of Interest Earned on the Bonneville Fund (\$ in thousands)

Q4 2019

1	Fiscal Year Reserves Balance	570,255
2	Adjustments for pre-2002 Items	<u>16,341</u>
3	Reserves for Composite Cost Pool (Line 1 + Line 2)	586,596
4	Composite Interest Rate	1.12%
5	Composite Interest Credit	(6,544)
6	Prepay Offset Credit	0
7	Total Interest Credit for Power Services	(6,832)
8	Non-Slice Interest Credit (Line 7 – (Line 5 + Line 6))	(288)

Net Interest Expense in Slice True-Up Forecast

	FY19 Rate Case <u>(\$ in thousands)</u>	Q4 Forecast <u>(\$ in thousands)</u>
• Federal Appropriation	82,687	56,414
• Capitalization Adjustment	(45,937)	(45,937)
• Borrowings from US Treasury	63,302	67,822
• Prepay Interest Expense	10,747	10,747
• Interest Expense	100,800	89,047
• AFUDC	(8,307)	(16,730)
• Interest Income (composite)	(3,781)	(6,544)
• Prepay Offset Credit	(0)	(0)
• Total Net Interest Expense	98,711	65,773

Proposed Schedule for Slice True-Up Adjustment for Cost Pool True-Up Table and Cost Verification Process

Dates	Agenda
October 2019	BPA External CPA firm conducting audit for fiscal year end
Mid-October 2019	Recording the Fiscal Year End Slice True-Up Adjustment Accrual
End of October	Final audited actual financial data is expected to be available
November 15, 2019	Fourth Quarter Business Review Meeting Provide Slice True-Up Adjustment for the Composite Cost Pool (this is the number posted in the financial system; the final actual number may be different)
November 18, 2019	Mail notification to Slice Customers of the Slice True-Up Adjustment for the Composite Cost Pool
November 20, 2019	BPA to post Composite Cost Pool True-Up Table containing actual values and the Slice True-Up Adjustment
December 12, 2019	Deadline for customers to submit questions about actual line items in the Composite Cost Pool True-Up Table with the Slice True-Up Adjustment for inclusion in the Agreed Upon Procedures (AUPs) Performed by BPA external CPA firm (customers have 15 business days following the BPA posting of Composite Cost Pool Table containing actual values and the Slice True-Up Adjustment)
December 27, 2019	BPA posts a response to customer questions (Attachment A does not specify an exact date)
January 13, 2020	Customer comments are due on the list of tasks (The deadline can not exceed 10 days from BPA posting)
February 3, 2020	BPA finalizes list of questions about actual lines items in the Composite Cost Pool True-Up Table for the AUPs

COMPOSITE COST POOL TRUE-UP TABLE				
		Q4	Rate Case forecast	Q4- Rate Case
		(\$000)	for FY 2019	Difference
			(\$000)	
1	Operating Expenses			
2	Power System Generation Resources			
3	Operating Generation			
4	COLUMBIA GENERATING STATION (WNP-2)	\$ 323,519	\$ 327,354	\$ (3,835)
5	BUREAU OF RECLAMATION	\$ 161,138	\$ 162,623	\$ (1,485)
6	CORPS OF ENGINEERS	\$ 253,007	\$ 256,057	\$ (3,050)
7	LONG-TERM CONTRACT GENERATING PROJECTS	\$ 11,628	\$ 13,687	\$ (2,059)
8	Sub-Total	\$ 749,292	\$ 759,721	\$ (10,429)
9	Operating Generation Settlement Payment and Other Payments			
10	COLVILLE GENERATION SETTLEMENT	\$ 19,643	\$ 22,997	\$ (3,354)
11	SPOKANE LEGISLATION PAYMENT	\$ -	\$ -	\$ -
12	Sub-Total	\$ 19,643	\$ 22,997	\$ (3,354)
13	Non-Operating Generation			
14	TROJAN DECOMMISSIONING	\$ 278	\$ 1,000	\$ (722)
15	WNP-1&3 DECOMMISSIONING	\$ 413	\$ 534	\$ (121)
16	Sub-Total	\$ 691	\$ 1,534	\$ (843)
17	Gross Contracted Power Purchases			
18	PNCA HEADWATER BENEFITS	\$ 2,922	\$ 3,100	\$ (178)
19	OTHER POWER PURCHASES (omit, except Designated Obligations or Purchase)	\$ 92,548	\$ -	\$ 92,548
20	Sub-Total	\$ 95,470	\$ 3,100	\$ 92,370
21	Bookout Adjustment to Power Purchases (omit)			
22	Augmentation Power Purchases (omit - calculated below)			
23	AUGMENTATION POWER PURCHASES	\$ -	\$ -	\$ -
24	Sub-Total	\$ -	\$ -	\$ -
25	Exchanges and Settlements			
26	RESIDENTIAL EXCHANGE PROGRAM (REP)	\$ 241,276	\$ 242,112	\$ (836)
27	OTHER SETTLEMENTS	\$ -	\$ -	\$ -
28	Sub-Total	\$ 241,276	\$ 242,112	\$ (836)
29	Renewable Generation			\$ -
30	RENEWABLES (excludes Kill)	\$ 27,926	\$ 28,902	\$ (976)
31	Sub-Total	\$ 27,926	\$ 28,902	\$ (976)
32	Generation Conservation			
33	CONSERVATION ACQUISITION	\$ 57,959	\$ 71,785	\$ (13,826)
34	CONSERVATION INFRASTRUCTURE	\$ 19,608	\$ 27,283	\$ (7,674)
35	LOW INCOME WEATHERIZATION & TRIBAL	\$ 5,727	\$ 5,627	\$ 100
36	ENERGY EFFICIENCY DEVELOPMENT	\$ 9,462	\$ 8,000	\$ 1,462
37	DR & SMART GRID	\$ 907	\$ 854	\$ 53
38	LEGACY	\$ 443	\$ 590	\$ (147)
39	MARKET TRANSFORMATION	\$ 11,658	\$ 12,049	\$ (391)
40	Sub-Total	\$ 105,764	\$ 126,187	\$ (20,423)
41	Power System Generation Sub-Total	\$ 1,240,062	\$ 1,184,553	\$ 55,509

COMPOSITE COST POOL TRUE-UP TABLE				
		Q4 (\$000)	Rate Case forecast for FY 2019 (\$000)	Q4- Rate Case Difference
42				
43	Power Non-Generation Operations			
44	Power Services System Operations			
45	EFFICIENCIES PROGRAM	\$ -	\$ -	\$ -
46	INFORMATION TECHNOLOGY	\$ 4,639	\$ 7,294	\$ (2,655)
47	GENERATION PROJECT COORDINATION	\$ 4,417	\$ 6,409	\$ (1,992)
48	SLICE IMPLEMENTATION	\$ 775	\$ 1,061	\$ (286)
49	Sub-Total	\$ 9,831	\$ 14,764	\$ (4,933)
50	Power Services Scheduling			
51	OPERATIONS SCHEDULING	\$ 7,874	\$ 10,404	\$ (2,530)
52	OPERATIONS PLANNING	\$ 6,674	\$ 8,416	\$ (1,742)
53	Sub-Total	\$ 14,548	\$ 18,820	\$ (4,272)
54	Power Services Marketing and Business Support			
55	POWER R&D	\$ 2,457	\$ 4,600	\$ (2,143)
56	SALES & SUPPORT	\$ 22,250	\$ 23,485	\$ (1,236)
57	STRATEGY, FINANCE & RISK MGMT (REP support costs included here)	\$ 11,671	\$ 18,305	\$ (6,634)
58	EXECUTIVE AND ADMINISTRATIVE SERVICES (REP support costs included)	\$ 2,518	\$ 4,204	\$ (1,686)
59	CONSERVATION SUPPORT	\$ 7,318	\$ 9,409	\$ (2,091)
60	Sub-Total	\$ 46,212	\$ 60,002	\$ (13,789)
61	Power Non-Generation Operations Sub-Total	\$ 70,591	\$ 93,586	\$ (22,995)
62	Power Services Transmission Acquisition and Ancillary Services			
63	TRANSMISSION and ANCILLARY Services - System Obligations	\$ 32,924	\$ 32,924	\$ (0)
64	3RD PARTY GTA WHEELING	\$ 67,690	\$ 92,516	\$ (24,826)
65	POWER 3RD PARTY TRANS & ANCILLARY SVCS (Composite Cost)	\$ 3,375	\$ 2,292	\$ 1,083
66	TRANS ACQ GENERATION INTEGRATION	\$ 12,642	\$ 12,634	\$ 8
67	TELEMETERING/EQUIP REPLACEMT	\$ -	\$ -	\$ -
68	Power Services Trans Acquisition and Ancillary Serv Sub-Total	\$ 116,631	\$ 140,366	\$ (23,735)
69	Fish and Wildlife/USF&W/Planning Council/Environmental Req			
70	Fish & Wildlife	\$ 228,540	\$ 276,704	\$ (48,164)
71	USF&W Lower Snake Hatcheries	\$ 26,794	\$ 33,483	\$ (6,690)
72	Planning Council	\$ 11,275	\$ 11,914	\$ (639)
73	Environmental Requirements	\$ -	\$ -	\$ -
74	Fish and Wildlife/USF&W/Planning Council Sub-Total	\$ 266,609	\$ 322,101	\$ (55,492)
75	BPA Internal Support			
76	Additional Post-Retirement Contribution	\$ 21,088	\$ 15,620	\$ 5,468
77	Agency Services G&A (excludes direct project support)	\$ 63,612	\$ 65,796	\$ (2,185)
78	BPA Internal Support Sub-Total	\$ 84,700	\$ 81,417	\$ 3,283
79	Bad Debt Expense	\$ 16	\$ -	\$ 16
80	Other Income, Expenses, Adjustments	\$ (554)	\$ (13,668)	\$ 13,114
81	Expense Offset	\$ (60,501)	\$ (60,500)	\$ (1)
82	Non-Federal Debt Service			
83	Energy Northwest Debt Service			
84	COLUMBIA GENERATING STATION DEBT SVC	\$ 134,376	\$ 338,592	\$ (204,216)
85	WNP-1 DEBT SVC	\$ 41,088	\$ 40,738	\$ 350
86	WNP-3 DEBT SVC	\$ 43,752	\$ 32,139	\$ 11,613
87	EN RETIRED DEBT	\$ -	\$ -	\$ -
88	Sub-Total	\$ 219,216	\$ 411,469	\$ (192,253)

COMPOSITE COST POOL TRUE-UP TABLE

		Q4 (\$000)	Rate Case forecast for FY 2019 (\$000)	Q4- Rate Case Difference
89	Non-Energy Northwest Debt Service			
90	CONSERVATION DEBT SVC	\$ -	\$ -	\$ -
91	COWLITZ FALLS DEBT SVC	\$ 7,303	\$ 7,304	\$ (1)
92	NORTHERN WASCO DEBT SVC	\$ 1,932	\$ 1,932	\$ (0)
93	Sub-Total	\$ 9,234	\$ 9,235	\$ (1)
94	Non-Federal Debt Service Sub-Total	\$ 228,450	\$ 420,704	\$ (192,254)
95	Depreciation	\$ 138,080	\$ 144,065	\$ (5,985)
96	Amortization	\$ 87,131	\$ 87,458	\$ (328)
97	Total Operating Expenses	\$ 2,171,216	\$ 2,400,082	\$ (228,867)
98				
99	Other Expenses			
100	Net Interest Expense	\$ 65,773	\$ 98,711	\$ (32,939)
101	LDD	\$ 40,590	\$ 41,971	\$ (1,380)
102	Irrigation Rate Discount Costs	\$ 22,128	\$ 22,128	\$ 0
103	Sub-Total	\$ 128,491	\$ 162,809	\$ (34,319)
104	Total Expenses	\$ 2,299,706	\$ 2,562,892	\$ (263,185)
105				
106	Revenue Credits			
107	Generation Inputs for Ancillary, Control Area, and Other Services Revenue	\$ 103,513	\$ 101,519	\$ 1,994
108	Downstream Benefits and Pumping Power revenues	\$ 19,766	\$ 16,829	\$ 2,937
109	4(h)(10)(c) credit	\$ 98,195	\$ 91,526	\$ 6,670
110	Colville and Spokane Settlements	\$ 4,600	\$ 4,600	\$ -
111	Energy Efficiency Revenues	\$ 9,111	\$ 8,000	\$ 1,111
112	Large Project Revenues	\$ -	\$ -	\$ -
113	Miscellaneous revenues	\$ 7,881	\$ 7,200	\$ 681
114	Renewable Energy Certificates	\$ -	\$ -	\$ -
115	Pre-Subscription Revenues (Big Horn/Hungry Horse)	\$ -	\$ -	\$ -
116	Net Revenues from other Designated BPA System Obligations (Upper Bak)	\$ 636	\$ 395	\$ 241
117	WNP-3 Settlement revenues	\$ 16,849	\$ 15,959	\$ 890
118	RSS Revenues	\$ 3,102	\$ 3,102	\$ -
119	Firm Surplus and Secondary Adjustment (from Unused RHWM)	\$ 2,249	\$ 13,324	\$ (11,075)
120	Balancing Augmentation Adjustment	\$ 8,511	\$ 8,511	\$ -
121	Transmission Loss Adjustment	\$ 32,060	\$ 32,060	\$ -
122	Tier 2 Rate Adjustment	\$ 1,273	\$ 1,273	\$ -
123	NR Revenues	\$ 1	\$ 1	\$ 0
124	Total Revenue Credits	\$ 307,746	\$ 304,298	\$ 3,448

COMPOSITE COST POOL TRUE-UP TABLE

	Q4 (\$000)	Rate Case forecast for FY 2019 (\$000)	Q4- Rate Case Difference
125			\$ -
126	Augmentation Costs (not subject to True-Up)		
127	\$ 12,503	\$ 12,503	\$ -
128	\$ 12,211	\$ 12,211	\$ 0
129	\$ 24,714	\$ 24,714	\$ -
130			
131	DSI Revenue Credit		
132	\$ 31,840	\$ 33,392	\$ (1,551)
133	\$ 31,840	\$ 33,392	\$ (1,551)
134			
135	Minimum Required Net Revenue Calculation		
136	\$ 423,334	\$ 173,621	\$ 249,713
137	\$ 222,611	\$ -	\$ 222,611
138	\$ 56,021	\$ 56,573	\$ (552)
139	\$ 701,966	\$ 230,194	\$ 471,772
140	\$ 138,080	\$ 144,065	\$ (5,985)
141	\$ 87,131	\$ 87,458	\$ (328)
142	\$ (45,937)	\$ (45,937)	\$ 0
143	\$ 227,000	\$ -	\$ 227,000
144	\$ -	\$ -	\$ -
145	\$ (256)	\$ -	\$ (256)
146	\$ (3,524)	\$ (3,524)	\$ -
147	\$ (30,600)	\$ (30,600)	\$ -
148	\$ 10,747	\$ 10,747	\$ (0)
149	\$ 382,641	\$ 162,210	\$ 220,431
150	\$ 319,325	\$ 67,984	\$ 251,341
151	\$ 319,325	\$ 67,984	\$ 251,341
152			
153	\$ 2,304,159	\$ 2,317,899	\$ (13,740)
154			
155	SLICE TRUE-UP ADJUSTMENT CALCULATION FOR COMPOSITE COST POOL		
156	\$ (13,740)		
157	0.9572526		
158	\$ (14,354)		
159	\$ (3,263)		