

Q4 Quarterly Business Review Technical Workshop

November 19, 2020

9:00 am – 11:30 a.m.

WebEx:

Bridge: (415) 527-5035

Access Code: 199 806 1789



Agenda

Time	Min	Agenda Topic	Presenter
9:00	5	Introduction and safety moment	Chris Dunning
9:05	60	FY20 Actuals Including Income Statement, Capital, Reserves, and ACNR Update	Gwen Resendes, Karlee Manary, Kyle Hardy, Jeff Cook, Wayne Todd, Nadine Coseo, Damen Bleiler, Zach Mandell
10:05	15	IPR2, Budget Carryover and FY21 Outlook	Jesse Kintz
10:20	20	Strategic Cost Management Initiative	Marchelle Watson, Chris Dunning
10:40	30	Grid Modernization Update	Allie Mace
11:10	20	Q & A Session	All

FY20 Actuals Including Income Statement, Capital and Reserves

Gwen Resendes, Karlee Manary, Kyle Hardy, Jeff Cook, Wayne Todd, Nadine Coseo, Damen Bleiler, Zach Mandell

Report ID: 0123FY21	Data Source: PFMS
Requesting BL: Transmission Business Unit	Run Date/Time: November 02, 2020 / 12:23
Unit of Measure: \$ Thousands	% of Year Elapsed = 100%

	A	B	C
	FY 2020		FY 2020
	Rate Case	Actuals: FYTD	EOY Actuals - Rate Case
Operating Revenues			
1 Sales	\$ 919,467	\$ 938,253	\$ 18,787
2 Other Revenues	43,031	46,583	3,552
3 Inter-Business Unit Revenues	123,755	109,379	(14,376)
4 Total Operating Revenues	1,086,253	1,094,215	7,962
Operating Expenses			
Integrated Program Review Programs			
5 Asset Management	262,974	261,109	(1,865)
6 Operations	71,098	68,600	(2,498)
7 Commercial Activities	62,078	59,457	(2,621)
8 Enterprise Services G&A	92,528	99,671	7,143
9 Undistributed Reduction	-	-	-
10 Other Income, Expenses and Adjustments	-	-	-
11 Sub-Total Integrated Program Review Operating Expenses	488,678	488,838	160
Operating Expenses			
Non-Integrated Program Review Programs			
12 Commercial Activities	128,005	124,394	(3,611)
13 Other Income, Expenses and Adjustments	-	(250)	(250)
14 Depreciation & Amortization	342,088	339,833	(2,256)
15 Sub-Total Non-Integrated Program Review Operating Expenses	470,093	463,977	(6,116)
16 Total Operating Expenses	958,771	952,815	(5,957)
17 Net Operating Revenues (Expenses)	127,482	141,401	13,919
Interest expense and other income, net			
18 Interest Expense	183,458	160,810	(22,647)
19 AFUDC	(14,211)	(14,837)	(626)
20 Interest Income	(5,078)	(2,175)	2,903
21 Other income, net	-	5,095	5,095
22 Total interest expense and other income, net	164,169	148,893	(15,275)
23 Total Expenses	1,122,940	1,101,708	(21,232)
24 Net Revenues (Expenses)	\$ (36,687)	\$ (7,493)	\$ 29,194

<1 Although the forecasts in this report are presented as point estimates, BPA operates a hydro-based system that encounters much uncertainty regarding water uncertainties, among other factors, may result in large range swings +/- impacting the final results in revenues, expenses, and cash reserves.

Transmission Services QBR Analysis: FY 20 End of Year Results

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

Operating Revenues:

Row 4 - Total Operating Revenue: Operating Revenues are \$8 million above Rate Case due to higher than anticipated revenues for PTP short-term network in the 4th quarter due to higher than forecast hydro and prices, and NT load service with the warmer than normal weather this summer.

Integrated Program Review Operating Expenses:

Row 6 - Transmission Operations: \$2 million below rate case due to Enterprise Services direct charges for Grid Mod forecasted in rate case shifted from this program into the allocated Enterprise Services expense.

Row 7 - Commercial Activities: There were no Non-Wires activities which resulted in \$3 million below rate case .

Row 8 – Enterprise Services G&A: \$7 million higher due to a greater portion of the overall Enterprise Services support costs driven mainly by increased IT expense partially offset by a decrease in post retirement benefits.

Non-Integrated Program Review Operating Expenses:

Row 12 – Commercial Activities: \$4 million below rate case due to Covid-induced reduction in reimbursable work.

Row 14 – Depreciation and Amortization: \$2 million lower than rate case based on actual plant that has been placed into service during FY20.

Row 18 – Interest Expense: \$23 million below rate case due to lower interest rates and no call bond premium on lease financing bond transactions as was anticipated in rate case.

Row 20 – Interest Income: \$3 million below rate case due to lower interest earned with lower reserve balance than was anticipated in rate case.

Row 21 – Other Expense: \$5 million above rate case due to a loss incurred as part of the Port of Morrow takeout transaction.

Report ID: 0121FY20	QBR Forecast Analysis: Power Services	Data Source: PFMS
Requesting BL: POWER BUSINESS UNIT	Program Plan View	
Unit of measure: \$ Thousands	Through the Month Ended September 30, 2020	
	Preliminary / Unaudited	

	A	B	C
	FY 2020		FY 2020
	Rate Case	Actuals: FYTD	EOY Actuals - Rate Case
Operating Revenues			
1 Gross Sales (excluding bookout adjustment)	\$ 2,472,943	\$ 2,604,652	\$ 131,709
2 Bookout Adjustment to Sales	-	(45,313)	(45,313)
3 Other Revenues	28,016	39,368	11,352
4 Inter-Business Unit	117,901	115,442	(2,459)
5 U.S. Treasury Credits	90,850	100,108	9,258
6 Total Operating Revenues	2,709,710	2,814,257	104,547
Operating Expenses			
Integrated Program Review Programs			
7 Asset Management	961,496	918,070	(43,426)
8 Operations	124,378	125,594	1,215
9 Commercial Activities	106,852	91,139	(15,713)
10 Enterprise Services G&A	77,436	75,620	(1,815)
11 Undistributed Reduction	-	-	-
12 Sub-Total Integrated Program Review Operating Expenses	1,270,162	1,210,422	(59,740)
Operating Expenses			
Non-Integrated Program Review Programs			
13 Asset Management	36,708	30,754	(5,954)
14 Operations	351,361	323,412	(27,949)
15 Commercial Activities	214,630	236,823	22,193
16 Other Income, Expenses & Adjustments	-	(338)	(338)
17 Non-Federal Debt Service <Note 2	-	-	-
18 Depreciation, Amortization & Accretion	518,295	478,985	(39,309)
19 Sub-Total Non-Integrated Program Review Operating Expense	1,120,993	1,069,637	(51,356)
20 Total Operating Expenses	2,391,155	2,280,059	(111,096)
21 Net Operating Revenues (Expenses)	318,555	534,198	215,643
Interest expense and other income, net			
22 Interest Expense	305,707	305,092	(615)
23 AFUDC	(15,904)	(12,848)	3,056
24 Interest Income	(13,777)	(1,086)	12,691
25 Other income, net	(5,052)	(12,073)	(7,021)
26 Total interest expense and other income, net	270,974	279,085	8,111
27 Total Expenses	2,662,129	2,559,144	(102,985)
28 Net Revenues (Expenses)	\$ 47,580	\$ 255,113	\$ 207,533

<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 In FY20, balances will be reflected in interest expense and amortization line items of the income statement.

Power Services QBR Analysis: FY 20 End of Year Results

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

Row 6 – Total Operating Revenues: Higher than rate case due to \$21 million in the Reserves Surcharge, higher Demand Revenues and much higher Secondary Sales. Other Revenues were \$11 million higher due to financial swaps. Finally Revenue Credits were \$9 million higher than Rate Case because 4h10c credit from higher replacement power purchases.

Integrated Program Review Operating Expenses:

Row 7 – Asset Management: Primary drivers of the \$43M underspend is COVID delays for F&W and at the Corps of Engineers.

Row 9 - Commercial Activities: Primary driver is Conservation Purchases which came in under forecast. Additionally, when BP20 was created Program Plans did not exist therefore there has been cost shifts between the Plans

Power Services QBR Analysis: FY 20 End of Year Results

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

Non-Integrated Program Review Operating Expenses:

Row 13 – Asset Management: \$6 million lower than Rate Case to reflect actual Colville Settlement.

Row 14 – Operations: \$28 million lower than Rate Case reflects lower loads and lower 3rd Party GTA wheeling.

Row 15 – Commercial Activities: \$22 million higher from power purchases due to dry weather conditions experienced early in FY as well as seasonality of runoff in the late spring.

Row 18 – Depreciation, Amortization and Accretion: \$39 million lower than Rate Case is due to the implementation of new accounting treatment for Energy Northwest and other nonfederal assets as discussed at Q1. Rate Case levels were set prior to the new accounting treatment being finalized and as such a Rate Case to actuals difference was created for the BP-20 rate period.

Row 23 – AFUDC: \$3 million lower due to lower Fed Hydro capital spending.

Row 24 - Interest Income: \$13 million lower due to lower interest rates and dividends on the CGS Decommissioning trust fund budgeted here in Rate Case (see next row).

Row 25: Other income, net: \$5 million higher from dividends on the CGS Decommissioning trust fund, budgeted in Interest Income for Rate Case.

Row 26 – Total Net Revenues: \$255 million, which is \$208 million greater than Rate Case.

Agency Capital Expenditures: FY 20 Performance

Report ID: 0027FY20 Requesting BL: Corporate Business Unit Unit of Measure: \$Thousands		BPA Statement of Capital Expenditures Through the Month Ended September 30, 2020 Preliminary / Unaudited			Data Source: PFMS Run Date/Time: October 15, 2020 / 03:13 100%
		A	D	C	
		FY 2020	FY 2020	FY 2020	
		Rate Case	Actuals: FYTD	EOY Actuals - Rate Case	
Transmission Business Unit					
1	MAIN GRID	\$ 2,320	\$ 5,921	\$ 3,601	
2	AREA & CUSTOMER SERVICE	73,359	34,692	(38,667)	
3	SYSTEM REPLACEMENTS	316,710	229,577	(87,133)	
4	UPGRADES & ADDITIONS	58,319	68,556	10,237	
5	ENVIRONMENT CAPITAL	6,898	7,361	463	
	PFIA			-	
6	MISC. PFIA PROJECTS	14,034	6,184	(7,850)	
7	GENERATOR INTERCONNECTION	69,157	18,485	(50,673)	
8	SPECTRUM RELOCATION	1,522	412	(1,110)	
9	CORPORATE CAPITAL INDIRECTS, undistributed	()			
10	TBL CAPITAL INDIRECTS, undistributed	()	(189)	(189)	
11	LAPSE FACTOR	(13,125)	-	13,125	
12	TOTAL Transmission Business Unit	529,194	370,999	(158,195)	
Power Business Unit					
13	BUREAU OF RECLAMATION <Note 1	120,893	33,548	(87,345)	
14	CORPS OF ENGINEERS <Note 1	133,011	144,716	11,705	
15	POWER INFORMATION TECHNOLOGY	3,900	-	(3,900)	
16	FISH & WILDLIFE <Note 2	47,266	40,185	(7,082)	
17	TOTAL Power Business Unit	305,070	218,449	(86,621)	
Corporate Business Unit					
18	CORPORATE PROJECTS	13,200	19,858	6,658	
19	TOTAL Corporate Business Unit	13,200	19,858	6,658	
20	TOTAL BPA Capital Expenditures	\$ 847,465	\$ 609,306	\$ (238,158)	

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

Agency Capital Expenditures: FY20 Performance

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

Transmission Business Unit

Transmission is \$158 million below rate case mainly due to a \$129 million spending reduction from a shift in Transmission's Sustain and Expand Program prioritizations in FY18 and a \$27 million spending reduction from a facilities Asset Management Plan refresh. Regarding the Transmission prioritization change, analysis revealed BPA's need to focus on the Sustain Program was required in order to maintain the reliability of the Grid. This resulted in a change to the mix and size of projects & their corresponding demand for resources. A Sustain-focused program requires a larger amount of resources. Due to staffing change limitations, Transmission reduced their Start of Year (SOY) Budget to what they believed to be an accurate reflection of what could be delivered and executed within three percent of SOY.

Row 1 – Main Grid: \$4 million above rate case due to program reprioritization increases forecasted in the Start of Year (SOY) Budget, but somewhat offset by COVID-19 work stoppages/project delays.

Row 2 – Area and Customer Service: \$39 million below rate case due to a shift to more Sustain projects, including an \$11 million decrease due to work stoppage and project delays due to COVID-19.

Row 3 – System Replacements: \$87 million below rate case due to increase in smaller, complex projects with high resource demands.

Row 4 – Upgrades and additions: \$10 million above rate case due to higher loading costs forecasted in the Start of Year (SOY) Budget than included in Rate Case.

Rows 6-8 – Projects Funded in Advance (PFIA): \$60 million below rate case due to a change in strategy above.

Power Business Unit

Row 13 – Bureau of Reclamation: \$87 million below rate case due to reprioritization in the capital program that has shifted more investment in FY20 to the Corps. Additional delays further decreased FY20 results.

Row 14 – Corps of Engineers: \$12 million above rate case due to Asset Investment Excellence initiative, projects were prioritized and pulled forward, but had slower than expected project execution and delays due to COVID-19 work stoppages. COVID work stoppages decreased spending by approximately \$10 million.

Row 15 – Power IT: \$4 million below rate case due to prioritization of Corporate IT projects which reduced Power specific IT spending.

Row 16 – Fish and Wildlife: \$7 million below rate case due to delay of qualified land acquisitions and slower Steigerwald project spending.

Corporate Business Unit

Row 18 – Corporate IT projects: \$7 million above rate case due to the new customer billing center project for Grid Mod and enterprise business system disaster recovery project for DOE policy compliance, prioritization of corporate projects as opposed to business line specific IT projects, and project components qualifying for capital when assumed to be expense.

FY2020 EOY Reserves Actuals

FY20 RESERVES ACTUALS						
		A	B	C	D	E
(in \$ Thousands)		BP-20		FY 2020		Delta
POWER		FY 2020	Days Cash	EOY	Days Cash	(C - A)
1	PS RESERVES for RISK	320,594	65	435,266	95	114,672
2	PS RESERVES not for RISK	121,509		69,543		(51,966)
3	PS TOTAL RESERVES	442,103		504,809		62,706
TRANSMISSION						
4	TS RESERVES for RISK	147,750	88	272,312	160	124,562
5	TS RESERVES not for RISK	114,538		112,356		(2,182)
6	TS TOTAL RESERVES	262,288		384,668		122,380
AGENCY						
7	RESERVES for RISK	468,344	70	707,578	113	239,234
8	RESERVES not for RISK	236,046		181,899		(54,148)
9	AGENCY TOTAL RESERVES	704,391		889,478		185,087

Note: ACNR is the trigger for the RDC, not RFR.

Power Crosswalk – Key Drivers

PS FY20 EOY Reserves for Risk (RFR) is \$435m, which is ~\$114m more than the rate case forecast of \$321m. Key drivers:

- The BP-20 Rate Case assumed PS ended FY19 with RFR = \$288m, but PS ended FY19 with \$203m, resulting in \$85m less in RFR heading into FY20 than assumed in the rate case.
- FY20 Driver: Net Revenues are \$208M higher than the rate case projection.
 - Higher gross sales due to higher demand and lower Depreciation/Amortization (lower by ~\$40m, but is non-cash).
 - Other cash inflows, timing differences (EN cash timing, AP/AR lag, etc.), including a \$25m increase for other non-cash expenses, such as other accrued payables, etc.

(\$ in millions)	
Power Crosswalk	
FY20 EOY RFR Actuals	435
BP-20 RFR Forecast	321
Delta	<u>\$114</u>
<u>Explain the \$114m Delta</u>	
FY20 SOY RFR Beg Bal Delta from RC	(85)
Plus: Increase in Net Revenues	208
Minus: Non-Cash Portion of Net Revenues	(38)
Plus: Timing, Misc, Other	29
	<u>\$114</u>

Transmission Crosswalk – Key Drivers

TS FY20 EOY Reserves for Risk (RFR) is \$272m, which is ~\$125m more than the rate case (RC) forecast of \$148m. Key drivers:

- BP-20 assumed TS ended FY19 with RFR = \$207m, but TS ended FY19 with \$281m, resulting in \$75m more in RFR heading into FY20 than assumed in the RC.
- FY20 Drivers:
 - Net Revenues are \$29m higher than RC due primarily to a decrease in Interest Expense by \$21m.
 - RC net non-cash items are \$3m less than anticipated; a variety of changes in non-cash revenues, offset by non-cash expenses.
 - Cash timing & other is a net of: revenue/expense accruals that both result in a draw on reserves of \$22m; offset by cash inflows of \$15m (settlement, aircraft sale, misc.); and a \$57m increase for other non-cash expenses such as accrued payables, etc.
 - Adjustment to correct for prior year LP funding reclassification issue, a net reduction to reserves of \$26m.

Transmission Crosswalk	
FY20 EOY RFR Actuals	272
BP-20 RFR Forecast	148
Delta	\$125
<u>Explain the \$125m Delta</u>	
FY20 SOY RFR Beg Bal Delta from RC	75
Plus: Increase in Net Revenues	29
Minus: Non-Cash Portion of Net Revenues	(3)
Plus: Cash Timing, Misc, Other	50
Plus: Prior Yr LP Net Adjustment	(26)
	\$125

Update on Reserves Uncertainties – from Q3

- At 3rd quarter, we noted that assessment of our prior year funding adjustment process, specific to Transmission and related to project funding source changes, could result in a true up to Transmission reserves, depending on the results of the analysis.
- Analysis has been completed and shows that the previous process used to reclassify and realign capital spending from prior years to its new funding source after a project changed funding sources, did not properly remove all capital spending from the US Treasury borrowing authority (UST) funding category *in certain circumstances*. The issue assessed is specific to changes from funding a project using UST borrowing authority to funding it via the Lease Purchase (LP) program, or vice versa.
- To correct this issue, Transmission's reserves will be reduced by \$25.9M. This will ensure that no portion of a capital project is funded by both UST borrowing authority and by the LP program.
- This adjustment will correct for all prior year issues; going forward, the new reclassification process to capture UST to LP (and vice versa) funding changes, will properly reclassify *spending from all prior years* to the proper funding source.
- The analysis was conducted by a cross Finance team. The analysis and results will be reviewed by BPA's Internal Audit team for reasonableness of approach, validity of inputs and accuracy of results.
- Should Internal Audit's review result in changes to the true up amount, it will be dealt with through additional increments or decrements to deferred borrowing.

Reserves Distribution Clause (RDC) Process

- The 2020 Transmission General Rate Schedule Provisions, aka *FY20 GRSPs*, notes:

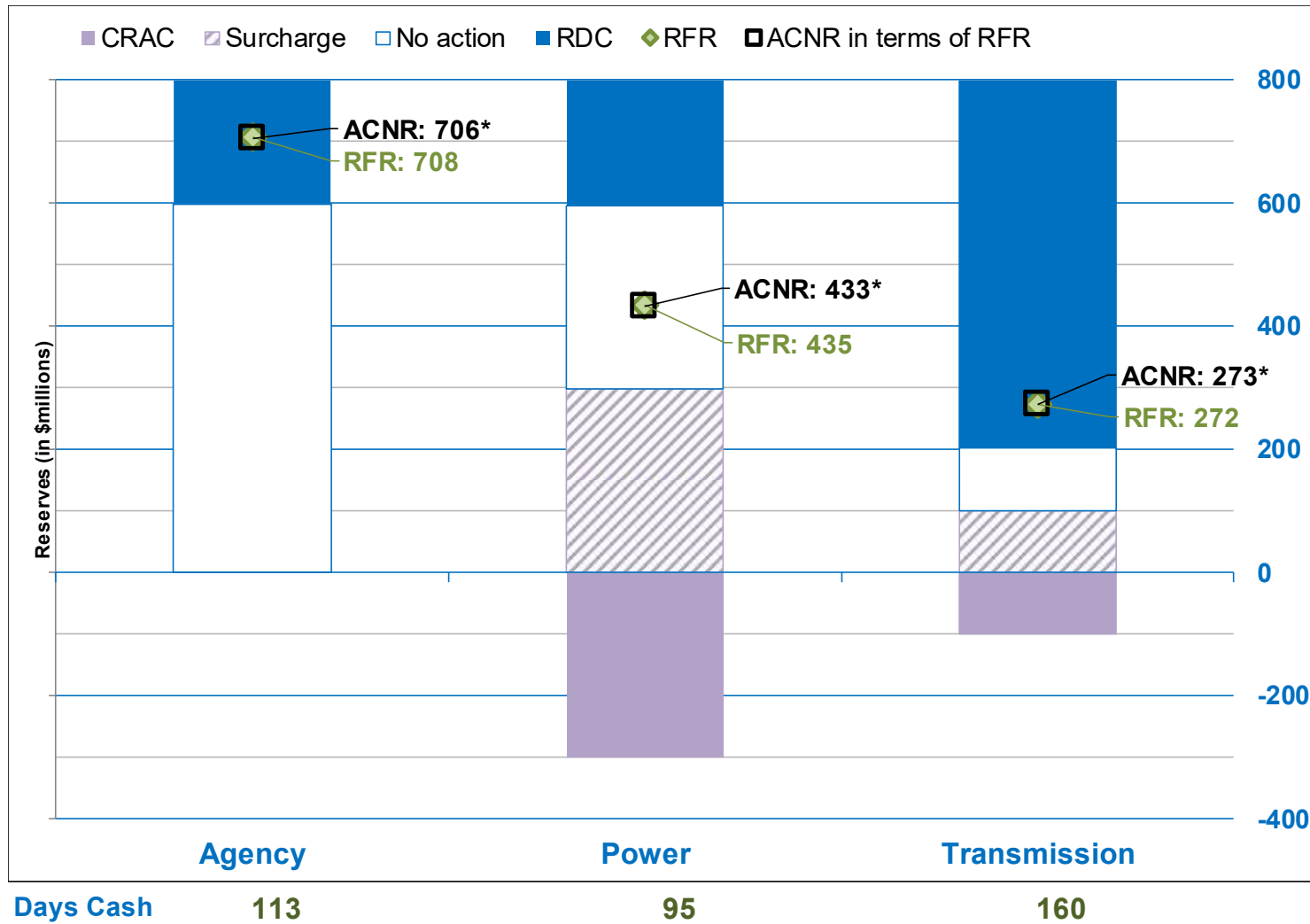
By November 30, 2020, BPA shall complete the calculation of Transmission ACNR and BPA ACNR through the end of FY 2020, for use in calculating the Transmission RDC applicable to rates for December through September of FY 2021.

If the Transmission RDC triggers, BPA will notify customers of the preliminary Transmission RDC Amount and whether the amount will be used to reduce debt, incrementally fund capital projects or other high-value Transmission purposes, or reduce rates, as soon as practicable, but in no case later than November 30 of each applicable year. BPA will make available to customers the preliminary data relied upon to calculate the Transmission RDC Amount, including the calculation of Transmission ACNR.

BPA will hold at least one public meeting to discuss the calculations of Transmission ACNR, the Transmission RDC Amount, and if applicable, the Transmission DD Credit Amount and the Transmission DD Credit percentage. BPA will provide customers an opportunity for comment on the preliminary data. BPA will issue the final Transmission RDC amount as soon as practicable, but in no case later than December 15 of each applicable year.

- At today's meeting BPA will share: the RDC calculation, including calibrations; the RDC amount and intended use of the RDC; the comment period timeline; and next steps.

FY20 ACNR and RFR



* ACNR values are shown in terms of RFR; they are translated to equivalent RFR levels.

FY20 Transmission RDC Calculation

- ACNR values result in a Transmission RDC.
- The RDC triggers for the lesser of:
 1. The amount Agency ACNR that is over the Threshold set at the equivalent of 90 days cash (\$597m)
 2. The amount Transmission ACNR that is over the Threshold set at the equivalent of 120 days cash (\$194m)
- Results show an RDC of approximately \$80m:
 1. Agency ACNR is \$110.8m over the Agency Threshold
 2. **Transmission ACNR is \$79.7m over the Transmission Threshold. As this is the lesser of the two amounts, the Transmission RDC is \$79.7m.**

ACNR Calibration Results

Power

- Three FY20 Calibrations have been identified, totaling \$23.2m.
- ACNR, accumulated from the start of FY20 through the end of FY21, is \$388.4m.
- After Calibrations, Power ACNR is \$2.6m below the RFR equivalent.
- Power is \$131.4m above the FRP Surcharge threshold and \$169.6 below the RDC threshold.

Transmission

- Six FY20 Calibrations have been identified, totaling \$15.2m.
- ACNR, accumulated from the start of FY20 through the end of FY21, is \$144.7m.
- After Calibrations, Transmission ACNR is \$0.8m above the RFR equivalent.
- Transmission is above the RDC threshold by \$79.7m, as described on slide 7.

RDC Application

- Bottom Line Up Front: The Administrator considered a variety of options and has determined to apply the entire amount from the RDC toward debt reduction.
- The RDC application options are outlined in the Financial Reserves Policy, which is Appendix 1 of the BP20 Final Proposal Power and Transmission Risk Study. The policy notes:
If business line financial reserves and agency financial reserves are above their respective upper thresholds, the Administrator shall consider the above-threshold financial reserves for investment in other high-value business line-specific purposes including, but not limited to, debt retirement, incremental capital investment, or rate reduction.
- Customers are welcome to comment on the calculation and intended use.
 - The comment period is open through 11/30/20.
 - Please provide your comments to TechForum@bpa.gov and cc your AE with the Subject: *RDC comments*.
- The final determination for use of the RDC will be announced no later than December 15, 2020 via Tech Forum.

IPR2, Budget Carryover and FY21 Outlook

Jesse Kintz

Budget Carryover

- Budget carryover is a tool that provides within-rate period budgeting flexibility while still managing to overall rate period amounts
- Carryovers move department budgets from FY 2020 to FY 2021 (or from the first year of BP-20 to the second year)
- Total carryovers: \$27M
 - Power - \$24M mostly for Energy Efficiency, Corps of Engineers, Bureau of Reclamation, and Grid Modernization.
 - Transmission, Business Transformation, and Finance had small carryovers totaling \$3M, mostly related to Grid Modernization.

FY21 Outlook

- Budget Carryover Impacts
 - COVID impacts
 - All else equal, and if we execute as planned, the carryover will result in a Slice true-up charge to customers in FY21. BPA will keep you updated on the FY21 Slice true-up each quarter.
- IPR2
 - Expected to be in Spring 2021
 - Expected to focus primarily on COVID, CRSO and capital program
 - Scope/schedule development in process
- Strategic Cost Management

Strategic Cost Management Initiative

Marchelle Watson and Chris Dunning

Strategic Cost Management (SCM) Project Overview

- **Context:**
 - Reduce costs to remain at or below inflation
 - Previous cost management efforts focused on two-year rate period cycles
 - Cost cutting exercises relied heavily on across the board cuts or undistributed reductions
- **Goal:**
 - Establish a methodology to improve BPA's cost-management discipline
 - Enable BPA's leadership to strategically evaluate and prioritize spending
 - Methodology should provide a framework to evaluate cost targets and program costs in order to clearly prioritize near term budget reductions

Strategic Cost Management (SCM) Project Overview

- **Benefits:** This initiative will ensure BPA effectively manages costs and makes strategic spending choices in support of BPA's strategic plan.
- The SCM initiative will provide value by:
 - Creating **cost transparency** regarding how the agency costs are functionalized to the power and transmission revenue requirements.
 - Preserving the **value** of our federal assets.
 - Ensuring **spending choices** are well-informed, timely and transparent, with trade-offs and risks considered before spending decisions are made.
 - Ensuring spending is consistent with BPA's mission, strategic and financial plan goals, and aligns with BPA's **Enterprise Architecture framework**.

Strategic Cost Management and Enterprise Architecture

It is both a **blueprint** that illustrates the structure and operation of an organization and a **framework** that facilitates the strategy by using a methodology to bring business (operations/processes) and IT (technology) together.

What is Enterprise Architecture ?



- BPA has developed a representation of its current state, connecting business and IT information for the entire enterprise.
- EA provides discipline and a common information repository to reveal gaps, deficiencies and areas for optimization.
- EA facilitates discussion and better/faster decision-making.

Strategic Cost Management (SCM) Project Overview

Future State

- Cost management actions are made strategically without the need for across the board cuts or undistributed reductions.
- Cycle of continuous improvement, to ensure that we are spending money on the right programs and making future focused business investments.

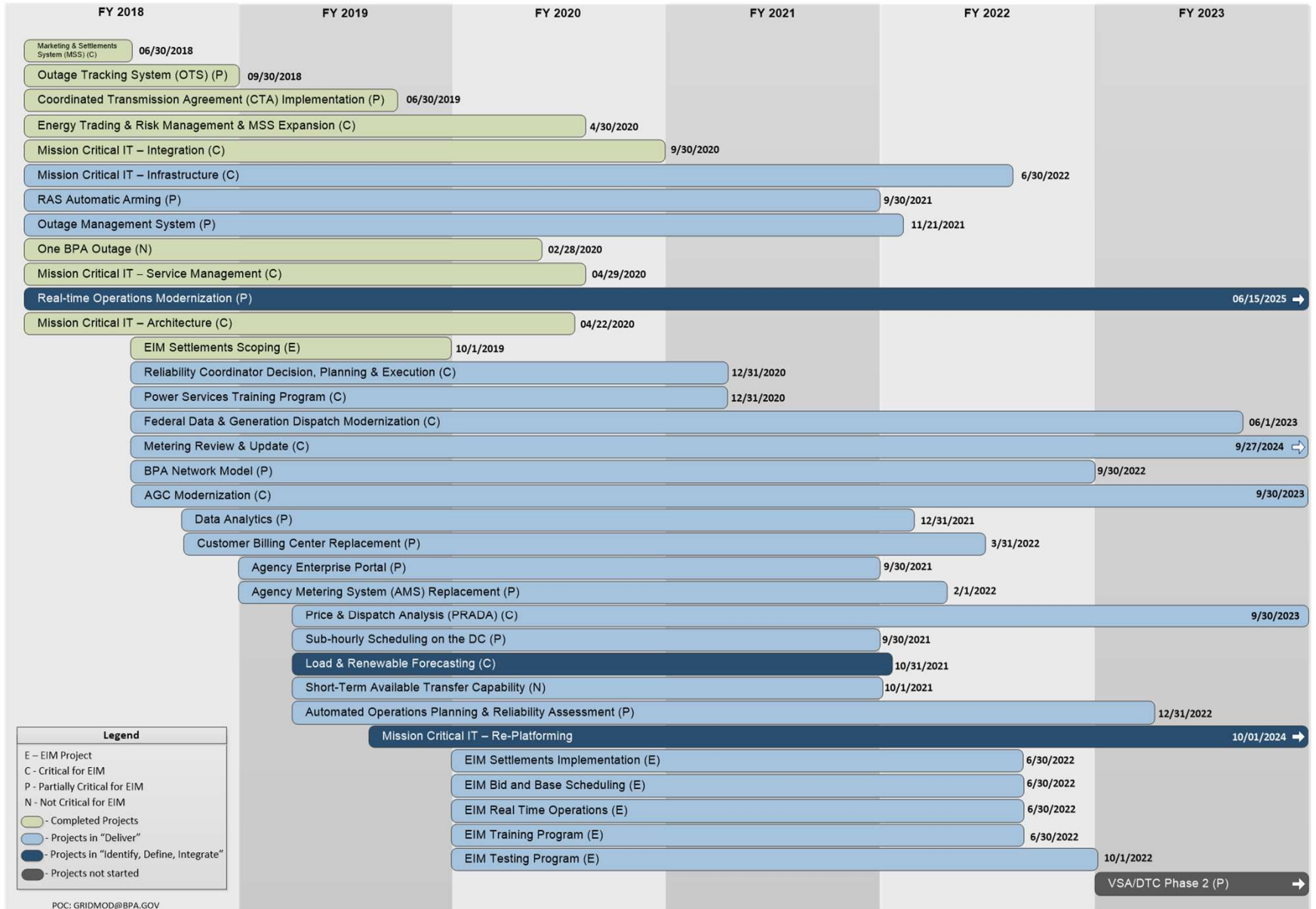


Grid Modernization Update

Allie Mace

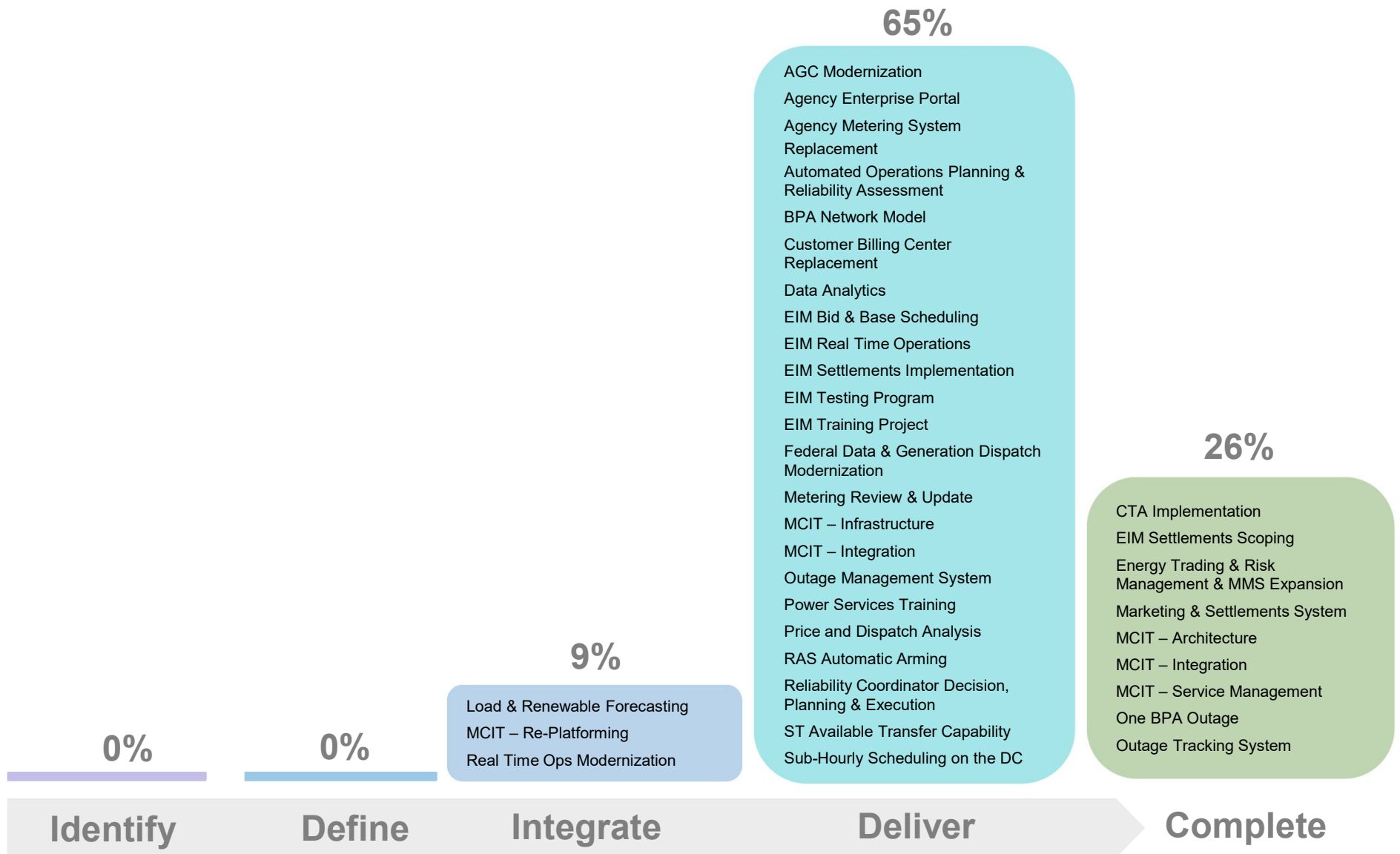
Grid Modernization Roadmap

FY20 Q4
As of 10/14/2020 – Subject to Change

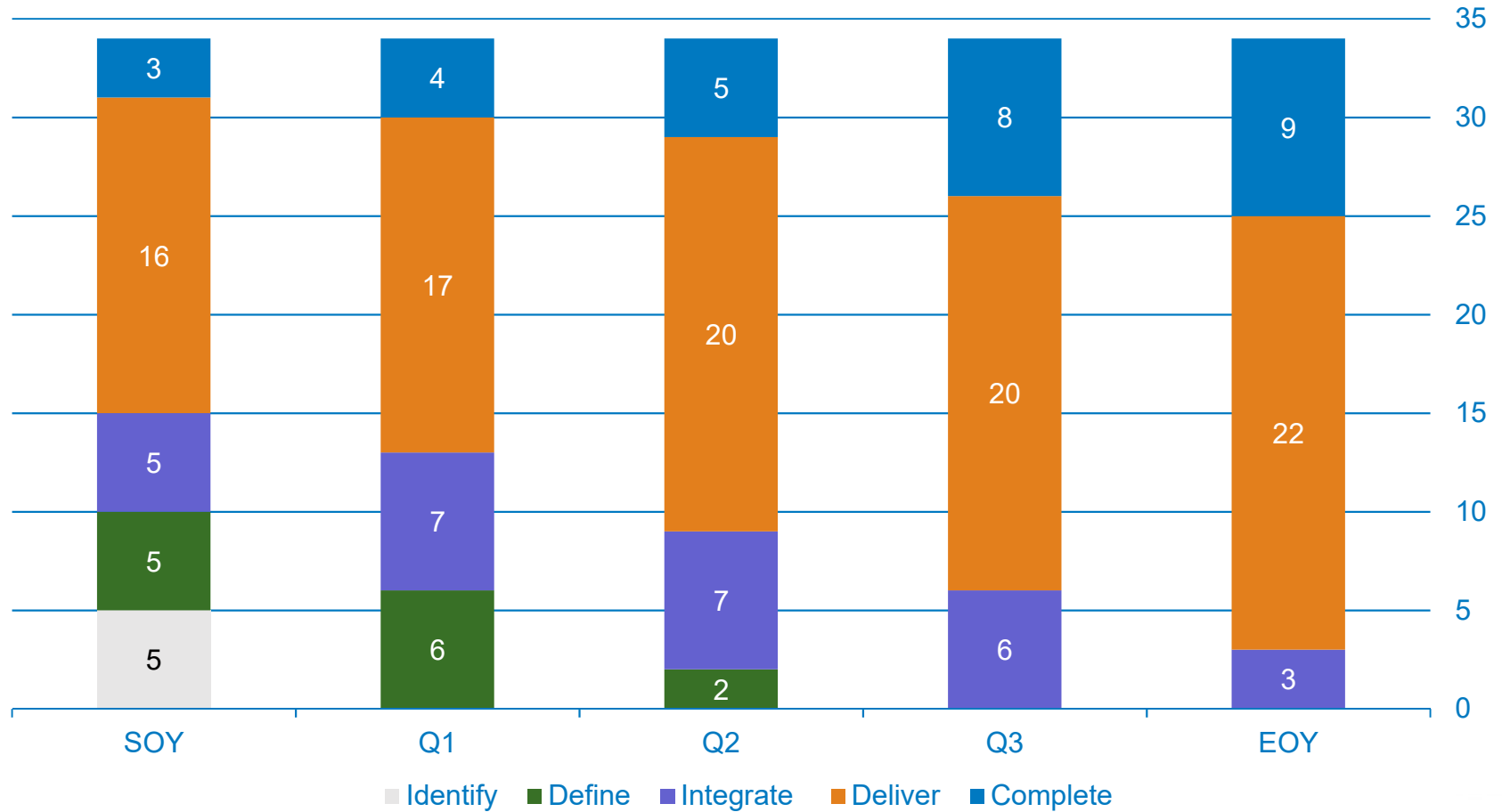


POC: GRIDMOD@BPA.GOV

GM Mobilization Status



FY 2020 Progress



GM Progress Metric



98%

- 98% of milestones for projects in deliver were on-track or completed.
- A milestone identifies the completion of significant events and/or key decisions associated with the grid modernization project. Examples include (but are not limited to) a formal project kickoff, RFO release dates, “go-live” dates for new software, targets for completing training for new processes, and project conclusion.
- **Status: Green**

Milestones Completed

- **Agency Enterprise Portal:** Solicited and selected a vendor.
- **Energy Trading & Risk Management System:** Completed and delivered system.
- **Outage Management System:** Execution contract was signed with the vendor and 13 sprints completed.
- **Mission Critical IT:** Completed three MCIT projects including Architecture, Integration and Service Management.

EIM Progress

- Launched **five new grid modernization projects**, completed scoping (Identify, Deliver and Integrate), and all projects are in **deliver**.
- Formed an **EIM implementation team and EIM implementation sponsor team** to oversee our implementation.
- **Hired Utilicast** to serve as our EIM integrator.
- Completed **Phase III Policy** process with discussions on nine policy issues that will impact BPA's rates and tariff.

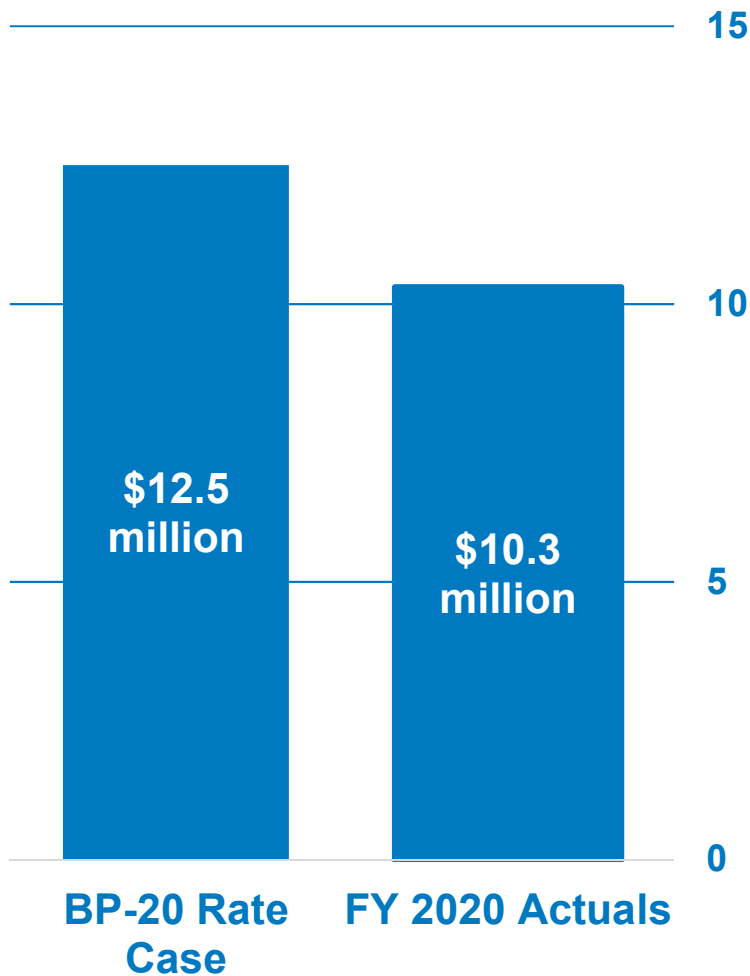
GM Finance Metric



92%

- 92% of the FY 2020 IPR expense budget was spent for projects in deliver.
- This is the equivalent of \$5.5 million out of an expected \$5.9 million.
- **Status: Green**

GM FY 2020 Spending



- BPA had previously anticipated an overspend in FY 2020.
- BPA actually spent \$10.3 million in FY 2020. BPA underspent due to:
 - Project costs shifted from expense to capital.
 - Costs shifted from FY 2020 to FY 2021.

More Information

On grid modernization:

www.bpa.gov/goto/gridmodernization

On EIM:

www.bpa.gov/goto/eim

Appendix

Slice Reporting Composite Cost Pool Review Final Annual Slice True-Up Adjustment

Final Forecast of FY 2020 Slice True-Up Adjustment

	FY 2020 Forecast \$ in thousands
February 11, 2020 First Quarter Technical Workshop	\$(4,524)*
May 18, 2020 Second Quarter Technical Workshop	\$(10,111)*
August 18, 2020 Third Quarter Technical Workshop	\$(9,868)*
November 2020 Final Slice True-Up	\$(18,997)

*Negative = Credit; Positive = Charge

Summary of Differences From Final to FY 20 (BP-20)

#		A	B
		Composite Cost Pool True-Up Table Reference	Final – Rate Case \$ in thousands
1	Total Expenses	Row 95	\$(132,317)
2	Total Revenue Credits	Rows 113 + 122	\$(11,100)
3	Minimum Required Net Revenue	Row 145	\$41,492
4	TOTAL Composite Cost Pool (1 - 2 + 3) \$(132,317) - \$(11,100) + \$41,492 = (79,724)	Row 150	\$(79,724)
5	TOTAL in line 4 divided by <u>0.9384753</u> sum of TOCAs \$(79,724)/ <u>0.9384753</u> = \$(84,951)	Row 152	\$(84,951)
6	QTR Forecast of FY 20 True-up Adjustment 22.36267 percent of Total in line 5 0.2236267 * \$(84,951) = \$(18,997)	Row 153	\$(18,997)

FY20 Impacts of Debt Management Actions

		A	B	C	D
<u>FY20 Impacts of Acceleration of Debt</u>					
#	Description	FY20 Final QBR	FY20 Rate Case	CCP	Delta from the FY20 rate case
1	<u>MRNR Section of Composite Cost Pool Table</u>				\$ -
2	Principal Payment of Federal Debt				\$ -
3	2020 Regional Cooperation Debt (RCD)	\$ 18,803,026	\$ 21,148,026		\$ 2,345,000
4	2020 Debt Service Reassignment (DSR)	\$ 1,506,974	\$ 1,506,974		\$ -
5	Prepay	\$ -	\$ -		\$ -
6	Energy Northwest's Line Of Credit (LOC)	\$ -	\$ -		\$ -
7	Rate Case Scheduled Base Power Principal	\$ 151,000,000	\$ 151,000,000		\$ -
8	Total Principal Payment of Fed Debt	\$ 171,310,000	\$ 173,655,000	row 125	\$ 2,345,000
					\$ -
9	Repayment of Non-Federal Obligations	\$ 227,000,000	\$ 227,000,000	row 126	\$ -
					\$ -
10	Customer Proceeds	\$ -	\$ -	row 134	\$ -
11	Non-Cash Expenses	\$ -	\$ -	row 133	\$ -
12	Nonfederal Bond Principal Payment	\$ 43,340,000	\$ 41,581,000	row 127	\$ (1,759,000)

Composite Cost Pool Interest Credit

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

	<u>Final 2020</u>
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	0.22%
5 Composite Interest Credit	(1,315)
6 Prepay Offset Credit	0
7 Total Interest Credit for Power Services	(1,086)
8 Non-Slice Interest Credit (Line 7 – (Line 5 + Line 6))	229

Net Interest Expense in Slice True-Up Final

	FY20 Rate Case	Final
	<u>(\$ in thousands)</u>	<u>(\$ in thousands)</u>
• Federal Appropriation	44,686	44,690
• Capitalization Adjustment	(45,937)	(45,937)
• Borrowings from US Treasury	61,157	56,303
• Prepay Interest Expense	9,826	9,826
• Interest Expense	69,733	64,882
• AFUDC	(15,904)	(12,848)
• Interest Income (composite)	(13,777)	(1,315)
• Prepay Offset Credit	(0)	(0)
• Total Net Interest Expense	40,052	50,720

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

Dates	Agenda
February 11, 2020	First Quarter Technical Workshop
May 18, 2020	Second Quarter Technical Workshop
August 18, 2020	Third Quarter Technical Workshop
October 2020	BPA External CPA firm conducting audit for fiscal year end
Mid-October 2020	Recording the Fiscal Year End Slice True-Up Adjustment Accrual
End of October	Final audited actual financial data is expected to be available
November 13, 2020	Mail notification to Slice Customers of the Slice True-Up Adjustment for the Composite Cost Pool
November 17, 2020	BPA to post Composite Cost Pool True-Up Table containing actual values and the Slice True-Up Adjustment
November 19, 2020	Fourth Quarter Business Review Technical Workshop 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)
December 9, 2020	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 23, 2020	BPA posts a response to customer questions (Attachment A does not specify an exact date)
January 8, 2021	Customer comments are due on the list of tasks (The deadline can not exceed 10 days from BPA posting)
February 1, 2021	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				
		Final (\$000)	forecast for FY 2020 (\$000)	Final - Rate Case Difference
1	Operating Expenses			
2	Power System Generation Resources			
3	Operating Generation			
4	COLUMBIA GENERATING STATION (WNP-2)	\$ 260,962	\$ 262,471	\$ (1,509)
5	BUREAU OF RECLAMATION	\$ 152,612	\$ 153,609	\$ (997)
6	CORPS OF ENGINEERS	\$ 240,298	\$ 252,557	\$ (12,259)
7	LONG-TERM CONTRACT GENERATING PROJECTS	\$ 12,045	\$ 12,709	\$ (663)
8	Sub-Total	\$ 665,917	\$ 681,345	\$ (15,428)
9	Operating Generation Settlement Payment and Other Payments			
10	COLVILLE GENERATION SETTLEMENT	\$ 17,586	\$ 22,937	\$ (5,411)
11	SPOKANE LEGISLATION PAYMENT	\$ -	\$ -	\$ -
12	Sub-Total	\$ 17,586	\$ 22,937	\$ (5,411)
13	Non-Operating Generation			
14	TROJAN DECOMMISSIONING	\$ 715	\$ 1,200	\$ (485)
15	WNP-1&3 DECOMMISSIONING	\$ 1,144	\$ 431	\$ 713
16	Sub-Total	\$ 1,859	\$ 1,631	\$ 228
17	Gross Contracted Power Purchases			
18	PNCA HEADWATER BENEFITS	\$ 2,711	\$ 3,100	\$ (389)
19	OTHER POWER PURCHASES (omit, except Designated Obligations or Purch)	\$ (7,168)	\$ -	\$ (7,168)
20	Sub-Total	\$ (4,457)	\$ 3,100	\$ (7,557)
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)	\$ 249,983	\$ 249,767	\$ 217
27	OTHER SETTLEMENTS	\$ -	\$ -	\$ -
28	Sub-Total	\$ 249,983	\$ 249,767	\$ 217
29	Renewable Generation			
30	RENEWABLES (excludes KIII)	\$ 24,708	\$ 26,475	\$ (1,767)
31	Sub-Total	\$ 24,708	\$ 26,475	\$ (1,767)
32	Generation Conservation			
33	CONSERVATION ACQUISITION	\$ 63,929	\$ 67,000	\$ (3,071)
34	CONSERVATION INFRASTRUCTURE	\$ 20,152	\$ 27,296	\$ (7,144)
35	LOW INCOME WEATHERIZATION & TRIBAL	\$ 3,268	\$ 5,739	\$ (2,471)
36	ENERGY EFFICIENCY DEVELOPMENT	\$ 5,905	\$ 8,000	\$ (2,095)
37	DR & SMART GRID	\$ 252	\$ 855	\$ (603)
38	LEGACY	\$ 724	\$ 590	\$ 134
39	MARKET TRANSFORMATION	\$ 11,857	\$ 12,050	\$ (193)
40	Sub-Total	\$ 106,087	\$ 121,530	\$ (15,443)
41	Power System Generation Sub-Total	\$ 1,061,683	\$ 1,106,845	\$ (45,161)
42				

COMPOSITE COST POOL TRUE-UP TABLE				
		Final (\$000)	forecast for FY 2020 (\$000)	Final - Rate Case Difference
43	Power Non-Generation Operations			
44	Power Services System Operations			
45	EFFICIENCIES PROGRAM	\$ -	\$ -	\$ -
46	INFORMATION TECHNOLOGY	\$ (31)	\$ 6,714	\$ (6,745)
47	GENERATION PROJECT COORDINATION	\$ 3,565	\$ 6,059	\$ (2,495)
48	ASSET MGMT ENTERPRISE SVCS	\$ 553	\$ -	\$ 553
49	SLICE IMPLEMENTATION	\$ 774	\$ 555	\$ 219
50	Sub-Total	\$ 4,861	\$ 13,329	\$ (8,468)
51	Power Services Scheduling			
52	OPERATIONS SCHEDULING	\$ 9,233	\$ 8,806	\$ 427
53	OPERATIONS PLANNING	\$ 7,537	\$ 5,643	\$ 1,894
54	Sub-Total	\$ 16,770	\$ 14,449	\$ 2,321
55	Power Services Marketing and Business Support			
56	COMMERCIAL ENTERPRISE SVCS	\$ 1,837	\$ -	\$ 1,837
57	OPERATIONS ENTERPRISE SVCS	\$ 4,323	\$ -	\$ 4,323
58	POWER R&D	\$ 2,041	\$ 2,662	\$ (621)
59	SALES & SUPPORT	\$ 13,669	\$ 23,191	\$ (9,522)
60	STRATEGY, FINANCE & RISK MGMT (REP support costs included here)	\$ 19,347	\$ 16,905	\$ 2,442
61	EXECUTIVE AND ADMINISTRATIVE SERVICES (REP support costs incl)	\$ 7,012	\$ 3,880	\$ 3,132
62	CONSERVATION SUPPORT	\$ 8,116	\$ 8,399	\$ (284)
63	Sub-Total	\$ 56,346	\$ 55,038	\$ 1,308
64	Power Non-Generation Operations Sub-Total	\$ 77,977	\$ 82,815	\$ (4,839)
65	Power Services Transmission Acquisition and Ancillary Services			
66	TRANSMISSION and ANCILLARY Services - System Obligations	\$ 32,028	\$ 32,028	\$ -
67	3RD PARTY GTA WHEELING	\$ 67,419	\$ 96,200	\$ (28,781)
68	POWER 3RD PARTY TRANS & ANCILLARY SVCS (Composite Cost)	\$ 2,562	\$ 2,338	\$ 224
69	TRANS ACQ GENERATION INTEGRATION	\$ 13,540	\$ 13,577	\$ (37)
70	TELEMETERING/EQUIP REPLACEMT	\$ -	\$ -	\$ -
71	Power Services Trans Acquisition and Ancillary Serv Sub-Total	\$ 115,551	\$ 144,143	\$ (28,593)
72	Fish and Wildlife/USF&W/Planning Council/Environmental Req			
73	Fish & Wildlife	\$ 226,236	\$ 249,603	\$ (23,367)
74	USF&W Lower Snake Hatcheries	\$ 31,652	\$ 30,483	\$ 1,369
75	Planning Council	\$ 11,180	\$ 11,725	\$ (545)
76	Environmental Requirements	\$ -	\$ -	\$ -
77	Fish and Wildlife/USF&W/Planning Council Sub-Total	\$ 269,268	\$ 291,811	\$ (22,543)
78	BPA Internal Support			
79	Additional Post-Retirement Contribution	\$ 13,496	\$ 19,577	\$ (6,081)
80	Agency Services G&A (excludes direct project support)	\$ 62,125	\$ 57,859	\$ 4,266
81	BPA Internal Support Sub-Total	\$ 75,620	\$ 77,436	\$ (1,815)
82	Bad Debt Expense	\$ 6	\$ -	\$ 6
83	Other Income, Expenses, Adjustments	\$ (303)	\$ -	\$ (303)
84	Depreciation	\$ 141,009	\$ 138,968	\$ 2,041
85	Amortization	\$ 304,863	\$ 345,589	\$ (40,726)
86	Accretion (CGS)	\$ 33,113	\$ 33,738	\$ (625)
87	Total Operating Expenses	\$ 2,078,789	\$ 2,221,345	\$ (142,556)
88				

* The Residential Exchange Program Support costs have been moved from the Residential Exchange line into the respective Non-Gen Ops programs of Strategy, Finance & Risk Mgmt. and Executive and Administrative Services. This is a net zero impact but is different than what was shown in the final proposal rate case in Table F for these line items

COMPOSITE COST POOL TRUE-UP TABLE

		Final (\$000)	forecast for FY 2020 (\$000)	Final - Rate Case Difference
89	Other Expenses and (Income)			
90	Net Interest Expense	\$ 290,910	\$ 270,654	\$ 20,256
91	LDD	\$ 40,586	\$ 38,505	\$ 2,081
92	Irrigation Rate Discount Costs	\$ 20,880	\$ 20,905	\$ (24)
93	Other Expense and (Income)	\$ (12,073)	\$ -	\$ (12,073)
94	Sub-Total	\$ 340,303	\$ 330,064	\$ 10,239
95	Total Expenses	\$ 2,419,092	\$ 2,551,409	\$ (132,317)
96				
97	Revenue Credits			
98	Generation Inputs for Ancillary, Control Area, and Other Services Revenue	\$ 115,442	\$ 119,815	\$ (4,373)
99	Downstream Benefits and Pumping Power revenues	\$ 20,220	\$ 19,364	\$ 856
100	4(h)(10)(c) credit	\$ 95,506	\$ 86,250	\$ 9,258
101	Coville and Spokane Settlements	\$ 4,600	\$ 4,600	\$ -
102	Energy Efficiency Revenues	\$ 5,397	\$ 8,000	\$ (2,603)
103	PF Load Forecast Deviation Liquidated Damages	\$ -	\$ 9,499	\$ (9,499)
104	Miscellaneous revenues	\$ 11,102	\$ 12,362	\$ (1,261)
105	Renewable Energy Certificates	\$ -	\$ -	\$ -
106	Net Revenues from other Designated BPA System Obligations (Upper Bal	\$ 449	\$ 353	\$ 96
107	RSS Revenues	\$ 2,728	\$ 2,728	\$ -
108	Firm Surplus and Secondary Adjustment (from Unused RHWI)	\$ 65,444	\$ 68,746	\$ (3,302)
109	Balancing Augmentation Adjustment	\$ 1,213	\$ 1,213	\$ 0
110	Transmission Loss Adjustment	\$ 30,066	\$ 30,066	\$ 0
111	Tier 2 Rate Adjustment	\$ 510	\$ 510	\$ -
112	NR Revenues	\$ 1	\$ 1	\$ -
113	Total Revenue Credits	\$ 352,679	\$ 363,507	\$ (10,828)
114				
115	Augmentation Costs (not subject to True-Up)			
116	Tier 1 Augmentation Resources (includes Augmentation RSS and Augmentatio	\$ 12,367	\$ 12,367	\$ -
117	Augmentation Purchases	\$ -	\$ -	\$ -
118	Total Augmentation Costs	\$ 12,367	\$ 12,367	\$ -
119				
120	DSI Revenue Credit			
121	Revenues 12 aMw @ IP rate	\$ 4,031	\$ 4,303	\$ (272)
122	Total DSI revenues	\$ 4,031	\$ 4,303	\$ (272)
123				
124	Minimum Required Net Revenue Calculation			
125	Principal Payment of Fed Debt for Power	\$ 171,410	\$ 173,072	\$ (1,662)
126	Repayment of Non-Federal Obligations (EN Line of Credit)	\$ 227,000	\$ 227,000	\$ -
127	Repayment of Non-Federal Obligations (CGS, WNP1, WNP3, N. Wasco, Cowlit	\$ 49,440	\$ 41,581	\$ 7,859
128	Irrigation assistance	\$ 24,129	\$ 24,331	\$ (202)
129	Sub-Total	\$ 65,443,911	\$ 465,984	\$ 64,977,927

COMPOSITE COST POOL TRUE-UP TABLE				
		Final (\$000)	forecast for FY 2020 (\$000)	Final - Rate Case Difference
130	Depreciation	\$ 141,009	\$ 138,968	\$ 2,041
131	Amortization	\$ 304,863	\$ 345,589	\$ (40,726)
132	Accretion	\$ 33,113	\$ 33,738	\$ (625)
133	Capitalization Adjustment	\$ (45,937)	\$ (45,937)	\$ 0
134	Non-Cash Expenses	\$ -	\$ -	\$ -
135	Customer Proceeds	\$ -	\$ -	\$ -
136	Cash freed up by DSR refinancing	\$ 16,590	\$ 16,590	\$ -
137	Prepay Revenue Credits	\$ (30,600)	\$ (30,600)	\$ -
138	Bond Call Premium/Discount	\$ (257)	\$ -	\$ (257)
139	Non-Federal Interest (Prepay)	\$ 9,826	\$ 9,826	\$ -
140	Contribution to decommissioning trust fund	\$ (4,094)	\$ (4,100)	\$ 6
141	Gains/losses on decommissioning trust fund	\$ (12,080)	\$ (5,052)	\$ (7,029)
142	Interest earned on decommissioning trust fund	\$ (20)	\$ (8,818)	\$ 8,798
143	Sub-Total	\$ 412,415	\$ 450,204	\$ (37,789)
144	Principal Payment of Fed Debt plus Irrigation assistance exceeds non cash exp	\$ 57,272	\$ 15,780	\$ 41,492
145	Minimum Required Net Revenues	\$ 57,272	\$ 15,780	\$ 41,492
146				
147	Annual Composite Cost Pool (Amounts for each FY)	\$ 2,132,021	\$ 2,211,745	\$ (79,724)
148				
149	SLICE TRUE-UP ADJUSTMENT CALCULATION FOR COMPOSITE COST POOL			
150	TRUE-UP AMOUNT (Diff. between Rate Case and Forecast)	(79,724)		
151	Sum of TOCAs	0.9384753		
152	Adjustment of True-Up Amount when actual TOCAs < 100 percent	(84,951)		
153	TRUE-UP ADJUSTMENT CHARGE BILLED (22.36267 percent)	(18,997)		

Appendix

Reserves Materials

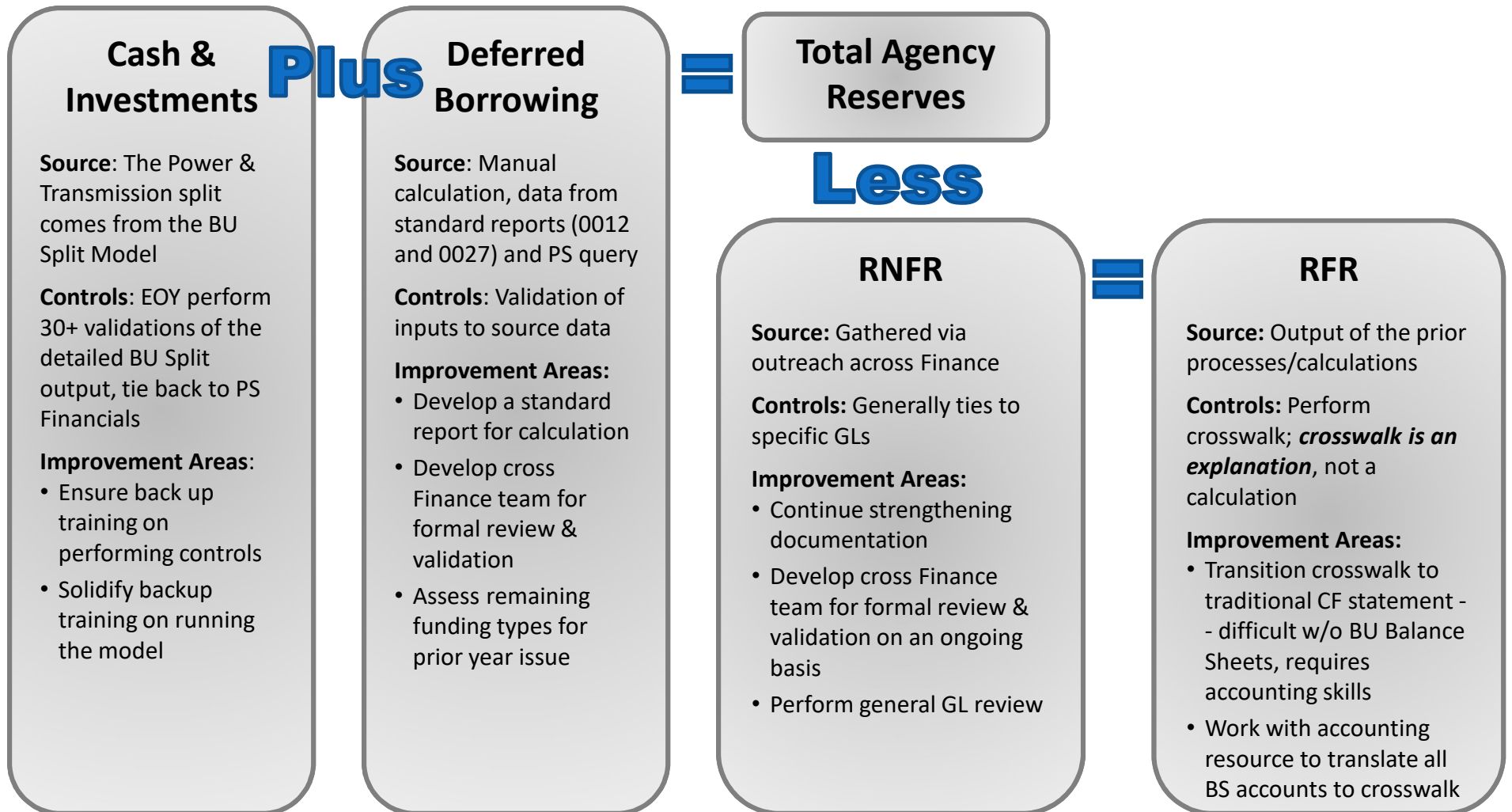
Reserves Not for Risk

AGENCY	9/30/2019 Actuals	9/30/2020 Actuals	Delta
Total Agency Reserves	773.1	889.5	116.4
1. Funds Held for Others	62.5	59.0	-3.5
2. Capital Funds	86.9	33.1	-53.7
3. Liquidity Facility Borrowings	0.0	0.0	0.0
4. Cash Timing Differences	139.4	62.7	-76.7
5. Other Reserves Not for Risk	0.0	27.0	27.0
Less: Agency Reserves Not for Risk (RNFR)	288.8	181.9	-106.9
Total: Agency Reserves for Risk (RFR)	484.3	707.6	223.3

POWER	9/30/2019 Actuals	9/30/2020 Actuals	Delta
Total Reserves Attributed to Power	343.4	504.8	161.4
1. Funds Held for Others	26.7	16.9	-9.8
2. Capital Funds	0.0	0.0	0.0
3. Liquidity Facility Borrowings	0.0	0.0	0.0
4. Cash Timing Differences	114.0	27.9	-86.1
5. Other Reserves Not for Risk	0.0	24.8	24.8
Less: Reserves Not for Risk (RNFR) Attributed to Power	140.6	69.5	-71.1
Total: Reserves for Risk (RFR) Attributed to Power	202.8	435.3	232.5

TRANSMISSION	9/30/2019 Actuals	9/30/2020 Actuals	Delta
Total Reserves Attributed to Transmission	429.6	384.7	-45.0
1. Funds Held for Others	35.9	42.1	6.3
2. Capital Funds	86.9	33.1	-53.7
3. Liquidity Facility Borrowings	0.0	0.0	0.0
4. Cash Timing Differences	25.4	34.8	9.4
5. Other Reserves Not for Risk	0.0	2.3	2.3
Less: Reserves Not for Risk (RNFR) Attributed to Transmission	148.2	112.4	-35.8
Total: Reserves for Risk (RFR) Attributed to Transmission	281.5	272.3	-9.2

Overview of Reserves Development Process



Q3 QBR Technical Workshop - Uncertainties

- At the 3rd quarter QBR technical workshop, we communicated the message below regarding issues being explored and uncertainties with the forecast.

- As part of our continued focus on strengthening key processes, including our Reserve forecasting ability, there are two areas of uncertainty to highlight with the current forecast.
 - Forecast Model Differences:
 - To forecast the end of year (EOY) reserves, BPA uses an annual reserves model that starts with the current net revenue forecast and adjusts for non-cash revenues and expenses (aka the “annual model”).
 - BPA also maintains a model that forecasts reserves 90 days out, known as the “short-term model”.
 - At Q3, comparison of the EOY reserves forecasts produced by these two models revealed: Power – only a \$2M difference; Transmission – a \$25M difference, with the short-term model coming in higher than the annual model.
 - True Up for Prior Year Financing Adjustments:
 - Most BPA construction projects are multi-year; prior to project close out the source of financing may change, e.g. from master lease (ML) to US Treasury (UST) financing, or vice versa. This change requires a “lookback” or true up process to ensure financing sources stay aligned.
 - From a Reserves perspective there should be no impact as the cash to fund the project is either from UST borrowings or from ML draws.
 - We are improving (systemizing and standardizing) this prior year lookback process. Analysis of prior year spending and the timing of cash draws will indicate the amount of the prior year adjustment, if any.
- These uncertainties have been incorporated into the Transmission risk distribution and risk mechanism probabilities (*discussed further Transmission Risk Distribution slide*).

FY2020 Risk Adjustment Mechanisms

- **Cost Recovery Adjustment Clause (CRAC):** The CRAC is an upward adjustment to applicable power (PS) and transmission (TS) rates, and triggers when PS or TS Accumulated Calibrated Net Revenue (ACNR) falls below their relative CRAC thresholds.
- **Financial Reserves Policy (FRP) Surcharge:** The FRP Surcharge is an upward adjustment to applicable PS and TS rates and triggers when PS or TS ACNR falls below the business line lower threshold, set at the ACNR equivalent of reserves.
- **Reserves Distribution Clause (RDC):** The RDC is applicable only if financial reserves exceeds both the RDC threshold for that business line and for the Agency threshold. The RDC allows the Administrator to repurpose financial reserves for debt reduction, rate reduction through a Dividend Distribution (DD), and other high value options. The upper thresholds for RDC are set at the ACNR equivalent of reserves.

FY2020 Risk Adj. Mechanisms - Thresholds

- The table below shows the thresholds as measured in both ACNR and Reserves for each business line, the for the RDC the agency (BPA) threshold level.
- It also shows the maximum amounts allowed to be collected for CRAC or FRP, or used for RDC purposes.

FY2020 Thresholds and Caps (\$ in Millions)								
	Threshold Measured in ACNR			Threshold Measured in Reserves			Maximum Amounts	
	PS	TS	BPA	PS	TS	BPA	PS	TS
CRAC	(\$44)	(\$130)	-	\$0	\$0	-	\$300	\$100
FRP Surcharge	\$257	(\$33)	-	\$301	\$97	-	\$30	\$15
RDC	\$558	\$65	\$424	\$601	\$194	\$597	\$500	\$200

Appendix: ACNR Calibration List

Power

- Depreciation and Amortization (\$39,310)
- Balance Sheet Accruals \$37,950
- Unidentified Non-Cash Expenses / Other \$24,570

Transmission

- Non-Cash Termination Fee \$5,000
- Non-Cash Fiber Revenue (\$8,422)
- Customer Dispute Resolution \$10,318
- Balance Sheet Accruals (\$22,750)
- Lease Financing Adjustment (25,890)
- Unidentified Non-Cash Expenses / Other \$56,900

POWER SERVICES RESERVES - FY2020

(Dollars in Millions)

	EOY Actuals
1 Cash Flows from Operating Activities	
2 Net revenues (expenses)	255.11
3 Adjustments to reconcile net revenues to cash provided by operations	
4 Depreciation and amortization	478.99
5 Capitalization Adjustment	(45.94)
6 PrePay - Non Federal Interest	9.83
7 Non Cash Revenue (A)	(42.68)
8 Changes in Accruals	
9 Revenue Accruals	(1.95)
10 Expense Accruals	39.90
11 Slice True Up	17.28
12 Miscellaneous (Other Cash Timing & Under Review) (B)	18.47
13 Net Cash Provided by Operating Activities	729.00
14	
15 Cash Flows from Investing Activities	
16 Investments in Utility Plant, including AFUDC	(185.21)
17 Fish & Wildlife	(40.18)
18 Appropriation CapEx	(106.00)
19	
20 Net Cash Provided by Investing Activities	(331.39)
21	
22 Cash Flows from Financing Activities	
23 Cash Sources - Financing	
24 Federal Borrowings	269.00
25 Appropriations Funding	106.00
26 RCD Extension	17.40
27	
28 Cash Uses - Financing	
29 Federal Bond Repayment	(96.10)
30 Federal Appropriations Repayment	(75.31)
31 Non-Federal Debt Payment	(274.61)
32 Irrigation Assistance	(24.13)
33	
34 Net Cash Provided by Financing Activities	(77.75)
35	
36 Net increase (decrease) in cash and cash equivalents	319.86
37 Beginning Cash and Cash Equivalent Balance	116.93
38 Deferred Borrowing Beginning Balance	226.49
39 Change in Deferred Borrowing	(43.60)
40 Other Changes in RNFR	(114.91)
41 EOY Total Reserves	504.77
42	
43 TOTAL RESERVES	504.77
44 RESERVES NOT FOR RISK	69.54
45 RESERVES FOR RISK	435.22

NOTES - Further Details

Note A - Non Cash Revenue	
PrePay - Non Cash Revenue	(30.60)
WNP3 Settlement - Non Cash Revenue	
CGS Decom Gain/Loss/interest	(12.08)
Total	(42.68)

Note B - Cash timing & Other	
EN Cash Timing	3.66
CGS Cash Contribution	(4.10)
Unearned Revenue	(4.65)
Prepaid Expense	(1.00)
Under Review	24.57
Total	18.47

TRANSMISSION SERVICES RESERVES - FY2020 (Dollars in Millions)

	<u>EOY Actuals</u>
1 Cash Flows from Operating Activities	
2 Net revenues (expenses)	(7.49)
3 Adjustments to reconcile net revenues to cash provided by operations	
4 Depreciation and amortization	339.83
5 Capitalization Adjustment	(18.97)
6 Amortization of Capitalized Bond Premiums	0.56
7 Non Cash Revenue (A)	(29.41)
8 Non Cash Expense (B)	10.04
9 Changes in Accruals	
10 Revenue Accruals	(3.59)
11 Expense Accruals	(19.16)
12 Miscellaneous (Cash In - Settlement, Misc, Under Review) (D)	72.56
13 Net Cash Provided by Operating Activities	344.37
14	
15 Cash Flows from Investing Activities	
16 Investments in Utility Plant, including AFUDC	(383.91)
17	
18 Net Cash Provided by Investing Activities	(383.91)
19	
20 Cash Flows from Financing Activities	
21 Cash Sources - Financing	
22 Federal Borrowings	396.00
23 Third Party Financing (F)	63.05
24 Revenue Financing - Leverage	26.44
25	
26 Cash Uses - Financing	
27 Federal Bond Repayment	(199.90)
28 Federal Appropriations Repayment	
29 Non-Federal Debt Payment	(99.00)
30 Revenue Financing - Leverage	(26.44)
31	
32 Net Cash Provided by Financing Activities	160.15
33	
34 Net increase (decrease) in cash and cash equivalents	120.61
35 Beginning Cash and Cash Equivalent Balance	71.82
36 Deferred Borrowing Beginning Balance	357.81
37 Change in Deferred Borrowing	(101.58)
38 Other Changes in RNFR	(38.09)
39 Prior Years' Adjustment for LF	(65.49)
40 Cash Draws for Prior Years LF	39.60
41 EOY Total Reserves	384.67
42	
43 TOTAL RESERVES	384.67
44 RESERVES NOT FOR RISK	112.35
45 RESERVES FOR RISK	272.32

Notes - Further Details

Note A - Non Cash Revenues 2020

Fiber Revenues - Non Cash Revenue	(8.4)
AC 3rd Intertie Non-Cash Revenue	(5.2)
LGIA Credits- Non Cash Revenue	(15.8)
Total	(29.4)

Note B - Non Cash Expenses

Credit Projects Net Interest (LGIA interest)	4.9
POM Takeout Termination Fee - Non Cash Expense	5.1
Total	10.0

Note D - Miscellaneous 2020

PacifiCorp's Settlement	10.3
Sale of Aircraft	2.2
Unearned Revenue	1.6
Prepaid Expense	1.6
Under Review	56.9
Total	72.6

Note F - Third Party Financing

PFIA-Funded	25.1
Lease Finance-Funded	38.0
Public Partner	0.0
Total	63.0

Financial Disclosures

This information has been made publicly available by BPA on November 17, 2020 and contains information not sourced directly from BPA financial statements.