

Q1 Quarterly Business Review Technical Workshop

February 23, 2021

9:30 a.m. – 12:00 p.m.

WebEx:

Bridge: **(415) 527-5035**

Access Code: **199 728 6829**



Agenda

Time	Min	Agenda Topic	Presenter
9:30	5	Introduction and safety moment	Michelle Manary
9:35	20	Energy Northwest Interest Expense Impact on FY21	Alex Lennox, Ashley Schmid
9:55	60	FY21 Q1 Forecast Including Income Statement, Capital, and Reserves	Gwen Resendes, Karlee Manary, Kyle Hardy, Jeff Cook, Wayne Todd, Nadine Coseo, Damen Bleiler, Zach Mandell
10:55	20	Strategic Cost Management Initiative	Marchelle Watson, Chris Dunning
11:15	30	Grid Modernization Update	Allie Mace
11:45	15	Q & A Session	All

Energy Northwest Interest Expense Update

Alex Lennox, Ashley Schmid

Summary

- There is a mismatch between the rate case and actuals for the treatment of a portion of Non-Federal Interest Expense.
- Net revenues look worse but cash flows are unaffected.
- The presentation needs to be adjusted in the Slice true-up to avoid unintended consequences.

What Happened?

- FY 2021 is the first year of the RCD2 program.
 - Refinancing Energy Northwest bonds as they come due.
 - Paying a portion of the interest expense on existing EN bonds with the proceeds of new bonds.
 - This interest is associated with bond issuance premiums from previous refinancings.
 - These actions free up capacity to repay U.S. Treasury bonds and extend access to BPA's limited borrowing authority.
- There is a mismatch in the treatment of the premiums.
 - In BP-20, we began treating non-Federal debt like Federal debt: interest on the income statement and principal on the statement of cash flows.
 - Accounting for all of the RCD2 transactions had not been finalized.
 - In BP-20, the proceeds of the new bonds to pay for the premiums were netted against non-Federal interest expense, mimicking how Debt Optimization and the original RCD transactions functioned.
 - Actuals are different. The proceeds from the new bonds will not be netted against non-Federal interest expense. Interest will appear on the income statement regardless of how it is paid. Instead, the proceeds are treated as a cash-only transaction and will be considered on the statement of cash flows.

What are the Implications?

- Power Non-Federal interest expense is higher and net revenues are lower than forecast in the rate case.
 - Non-Federal interest expense is about \$70m higher than forecast in rate case. This is offset by lower federal interest expense, discussed in more detail later in this presentation.
 - For FY 2021 financial reporting purposes, this increase is non-cash.
- From a revenue requirement and rate perspective, the increase is non-cash. This interest expense will not be paid out of the Bonneville fund in FY 2021.
- The different treatment in actuals means we need to adjust the presentation in the Slice true-up.

Addressing the Mismatch

- Slice True-up for FY 2021
 - Interest expense is higher than expected in the rate case but the increase is non-cash.
 - We need to adjust the true-up otherwise Slice customers will pay a share of the higher interest as well as the higher Treasury payment enabled by using bonds to pay for the premiums.
 - Solution: Use the “non-cash expense” line in the true-up’s minimum required net revenues calculation.
 - Use the cash value of the bond proceeds that will pay for the premiums
 - There is a slight mismatch because of the EN-BPA fiscal year conversion. Expenses are converted. Cash transactions are not.

• Net result:	Non-Federal Interest Expense		\$67.3 million
	MRNR		\$69.1 million

After FY 2021?

- BP-22
 - The Final Proposal will mimic the same treatment as in the 2021 Slice True-up.
 - Originally, we proposed to remove the “non-cash expense” line because it had never been used. This was corrected with an errata released a few days after publication of the initial proposal.
- Does this affect Transmission?
 - No. Transmission’s payments retire its obligations under Debt Service Reassignment; its obligation has not changed. The use of the cash freed up by the issuance of new bonds by Power does not change this fact.
 - This is consistent with the use of DSR funds in the previous RCD transactions.

FY21 Q1 Forecast 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 Requesting BL: Transmission Business Unit Unit of Measure: \$ Thousands	Data Source: PFMS Run Date/Time: January 26, 2021 / 03:36 25%
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		A	B	C
		FY 2021		FY 2021
		Rate Case	Q1 Forecast	Q1 Forecast - Rate Case
	Operating Revenues			
1	Sales	\$ 955,325	\$ 958,186	\$ 2,861
2	Other Revenues	45,898	40,859	(5,039)
3	Inter-Business Unit Revenues	119,374	107,120	(12,254)
4	Total Operating Revenues	1,120,597	1,106,166	(14,431)
	Operating Expenses			
	Integrated Program Review Programs			
5	Asset Management	268,795	272,757	\$ 3,963
6	Operations	71,150	69,919	(1,231)
7	Commercial Activities	57,136	61,807	4,671
8	Enterprise Services G&A	93,884	100,238	6,354
9	Undistributed Reduction	-	-	-
10	Other Income, Expenses and Adjustments	-	(772)	(772)
11	Sub-Total Integrated Program Review Operating Expenses	490,965	503,949	12,985
	Operating Expenses			
	Non-Integrated Program Review Programs			
12	Commercial Activities	131,854	127,853	\$ (4,001)
13	Other Income, Expenses and Adjustments	-	()	()
14	Depreciation & Amortization	348,148	344,320	(3,828)
15	Sub-Total Non-Integrated Program Review Operating Expenses	480,002	472,173	(7,829)
16	Total Operating Expenses	970,967	976,122	5,155
17	Net Operating Revenues (Expenses)	149,630	130,043	(19,587)
	Interest expense and other income, net			
18	Interest Expense	199,938	157,384	(42,554)
19	AFUDC	(14,635)	(15,500)	(865)
20	Interest Income	(4,568)	(1,555)	3,013
21	Other income, net	-	-	-
22	Total interest expense and other income, net	180,735	140,329	(40,406)
23	Total Expenses	1,151,702	1,116,451	(35,251)
24	Net Revenues (Expenses)	\$ (31,105)	\$ (10,286)	\$ 20,819

<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 21 Q1 Forecast

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

Operating Revenues:

Row 4 - Total Operating Revenue: Operating Revenues are \$14 million below Rate Case primarily due to non-renewals of Network Point-to-Point service and non-renewal of fiber contracts.

Integrated Program Review Operating Expenses:

Row 5 - Asset Management: \$4 million above rate case due higher-than-assumed premium increases in the Risk Organization for Transmission Property Insurance.

Row 7 - Commercial Activities: \$5 million below rate case primarily due to higher personnel and contract costs than assumed.

Row 8 – Enterprise Services G&A: \$6 million above rate case due to an increase to the BTO organization's forecast, largely the result of Grid Mod portfolio refinement.

Non-Integrated Program Review Operating Expenses:

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

Row 14 – Depreciation and Amortization: \$4 million lower than rate case based on actual plant that has been placed into service during FY20 and lower capital forecasts than assumed in rate case for FY21.

Row 18 – Interest Expense: \$43 million below rate case due to lower interest rates and less call bond premium on lease financing bond transactions than was anticipated in rate case.

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

Report ID: 0121FY21 Requesting BL: POWER BUSINESS UNIT Unit of measure: \$ Thousands	Data Source: PFMS Run Date/Time: January 27, 2021 / 03:35 % of Year Elapsed = 25%
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		A	B	C
		FY 2021		FY 2021
		Rate Case	Q1 Forecast	Q1 Forecast - Rate Case
Operating Revenues				
1	Gross Sales (excluding bookout adjustment)	\$ 2,448,603	\$ 2,579,094	\$ 130,491
2	Bookout Adjustment to Sales	-	(9,335)	(9,335)
3	Other Revenues	28,010	26,100	(1,910)
4	Inter-Business Unit	121,742	120,713	(1,030)
5	U.S. Treasury Credits	91,452	87,168	(4,284)
6	Total Operating Revenues	2,689,808	2,803,740	113,932
Operating Expenses				
Integrated Program Review Programs				
7	Asset Management	1,017,180	1,023,022	5,842
8	Operations	123,931	141,218	17,287
9	Commercial Activities	107,890	96,625	(11,264)
10	Enterprise Services G&A	78,475	77,031	(1,444)
11	Undistributed Reduction	-	-	-
12	Other Income, Expenses & Adjustments	-	(316)	(316)
13	Sub-Total Integrated Program Review Operating Expenses	1,327,476	1,337,581	10,105
Operating Expenses				
Non-Integrated Program Review Programs				
14	Asset Management	37,146	37,957	811
15	Operations	352,063	339,974	(12,089)
16	Commercial Activities	198,217	193,635	(4,581)
17	Depreciation, Amortization & Accretion	525,414	490,000	(35,414)
18	Sub-Total Non-Integrated Program Review Operating Expense	1,112,839	1,061,566	(51,273)
19	Total Operating Expenses	2,440,316	2,399,148	(41,168)
20	Net Operating Revenues (Expenses)	249,492	404,593	155,101
Interest expense and other income, net				
21	Interest Expense	238,719	291,891	53,172
22	AFUDC	(16,493)	(13,950)	2,543
23	Interest Income	(15,865)	(9,411)	6,454
24	Other income, net	(25,220)	(25,220)	()
25	Total interest expense and other income, net	181,141	243,310	62,169
26	Total Expenses	2,621,457	2,642,458	21,001
27	Net Revenues (Expenses)	\$ 68,351	\$ 161,282	\$ 92,931

<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.

Power Services QBR Analysis: FY 21 Q1 Forecast

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

Operating Revenues:

Row 1 – Gross Sales: Q1 revenues are higher than rate case due to trading floor sales from higher than expected prices. The higher revenues are partially offset by lower PF revenues due composite revenues being less than rate case from a decrease in load forecast. The Slice True-up is forecasted to be a charge to customers this year due to program expenses forecasted to be higher than rate case from carryover, this is driving up revenues by roughly \$3M as well.

Row 5 – U.S. Treasury Credits: Decreased due to lower predicted replacement purchases, but this is partially offset by higher prices.

Integrated Program Review Operating Expenses:

Row 7 – Asset Management: Fed Hydro budget carryover offset by lower Power IT expense due to program plans.

Row 8 – Operations: Conservation Infrastructure and Low Income EE carryover and due to program plans budget showing up in Commercial Activities with Actuals in Operations.

Row 9 - Commercial Activities: Lower conservation purchases and due to program plans budget showing up in Commercial Activities with Actuals in Operations.

Power Services QBR Analysis: FY 21 Q1 Forecast

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

Non-Integrated Program Review Operating Expenses:

Row 15 – Operations: \$12 million lower than Rate Case reflects lower 3rd Party GTA wheeling due to lower rates than forecast in Rate Case.

Row 16 – Commercial Activities: \$4 million less than Rate Case due to higher Power Purchases offset by no Tier 2 Power Purchases and lower Transmission and ancillary services.

Row 17 – Depreciation, Amortization and Accretion: \$35 million lower than Rate Case is due to the implementation of new accounting treatment for Energy Northwest and other nonfederal assets as discussed in FY20. 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 21 – Interest Expense: \$53M million greater than Rate Case due to the mismatch between the rate case and actuals for the treatment of a portion of Non-Federal Interest Expense and partially offset by lower federal interest expense due to lower interest rates.

Row 22 – AFUDC: \$3 million lower due to lower Fed Hydro capital spending over rate period.

Row 23 - Interest Income: \$6 million lower due to lower investment interest rates.

Row 27 – Total Net Revenues: \$161 million, which is \$93 million greater than Rate Case.

Agency Capital Expenditures: FY21 Performance

Transmission Business Unit

Transmission Asset Category

- Shift from Expand (large, high dollar projects) to Sustain (smaller, lower dollar projects)
- Volatility of customer projects – Projects Funded in Advance (PFIA)
- COVID impacts – maintain safety for crews – mobilize/demob impacts
- Increasing our capacity to execute more through Secondary Capacity Model (SCM)

Non-Transmission Asset Categories

- **Facilities:** Due to an Asset Management Plan refresh occurring after BP-20 rates were finalized, Facilities capital spending during the BP-20 rate period was significantly decreased in Sustain. Some projects that were originally planned to start construction in FY20 and FY21 were delayed to allow for scoping and design of the Technical Services Building. The expand portion increased due to a new project and continued scoping of the Vancouver Control Center project.
- **Transmission IT, Security, Environment, and Fleet:** Capital spending in these categories have had a relatively small impact on under execution.

Agency Capital Expenditures: FY21 Performance

Power Business Unit

Fed Hydro Asset Category

- After the BP-20 Integrated Program Review was complete in 2018, the three agency Asset Planning Team continued to develop and improve our prioritization and analysis techniques as part of the maturing Asset Investment Excellence Initiative. This continuous improvement effort deprioritized, cancelled, or delayed many Bureau of Reclamation projects and prioritized Army Corps of Engineer projects that were of higher value. This shift in capital spending between federal partners and focus on complex, large powertrain projects have contributed to negatively impact BPA's ability to execute the capital levels proposed in BP-20.
- Scoping, designing, and authorizing large complex projects along with COVID delays has caused delays in getting projects to the construction phase in which most of the capital spending occurs.
- McNary Dam exciter, governor, and powerhouse control projects delay due to schedule alignment effort to reduce planned outages also reduced capital spending during FY20 and FY21 .
- BPA has authorized several major projects in FY20 and FY21 that will support some capital spending in FY21, but will mostly support capital spending in FY22 and beyond. These projects include:
 - John Day turbine and generator rewind phase 1
 - John Day HVAC upgrades
 - McNary Headgate system
 - McNary Isophase Bus
 - John Day trash racks
 - Bonneville trash racks
 - Chief Joseph intake gantry crane
 - John Day submerged traveling screen crane
 - Chief Joseph station service units
 - Libby gantry crane
 - Foster turbine and generator rehabilitation

Agency Capital Expenditures: FY 21 Performance

Report ID: 0027FY21 **QBR Forecast Analysis: BPA Capital Expenditures** Data Source: PFMS
 Requesting BL: Corporate Business Unit FYTD Through the Month Ended December 31, 2020 Run Date/Time: February 09,2021 / 07:24
 Unit of Measure: \$Thousands Preliminary Unaudited % of Year Elapsed = 25%

		A	B	C	
		FY 2021		FY 2021	
		Rate Case	Current EOY Forecast	Current EOY Forecast - Rate Case	
Transmission Business Unit					
Expand {	1	MAIN GRID	\$ 24,709	\$ 3,123	\$ (21,586)
	2	AREA & CUSTOMER SERVICE	83,792	92,813	9,021
Sustain {	3	SYSTEM REPLACEMENTS	294,707	244,972	(49,735)
Expand {	4	UPGRADES & ADDITIONS	52,493	55,986	3,493
Sustain {	5	ENVIRONMENT CAPITAL	6,955	7,581	625
		PFIA	-	-	-
Expand {	6	MISC. PFIA PROJECTS	4,372	3,972	(400)
	7	GENERATOR INTERCONNECTION	61,943	19,041	(42,903)
	8	SPECTRUM RELOCATION	-	1	1
	9	CORPORATE CAPITAL INDIRECTS, undistributed			
	10	TBL CAPITAL INDIRECTS, undistributed	()		
	12	TOTAL Transmission Business Unit	515,847	427,489	(88,358)
Power Business Unit					
	13	BUREAU OF RECLAMATION <Note 1	144,222	36,287	(107,934)
	14	CORPS OF ENGINEERS <Note 1	128,271	173,512	45,241
	15	POWER INFORMATION TECHNOLOGY	3,900	1,747	(2,153)
	16	FISH & WILDLIFE <Note 2	47,266	47,266	
	17	POWER NON-IT	-	1,200	1,200
	18	TOTAL Power Business Unit	323,659	260,013	(63,646)
Corporate Business Unit					
	19	CORPORATE PROJECTS	13,200	22,303	9,103
	20	TOTAL Corporate Business Unit	13,200	22,303	9,103
	21	TOTAL BPA Capital Expenditures	\$ 852,706	\$ 709,806	\$ (142,900)

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

Agency Capital Expenditures: FY21 Performance

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

Transmission Business Unit

Row 1 – Main Grid: \$22 million below rate case due to FY20 COVID restrictions from the manufacturer, pushing back project schedules into FY22/23 for Schultz-Wautoma.

Row 2 – Area and Customer Service: \$9 million above rate case due to more Allowance for Funds Used During Construction, corporate general and administrative, and transmission indirect loadings hitting Area and Customer Service projects compared to rate case.

Row 3 – System Replacements: \$50 million below rate case due to:

- \$30 million below rate case due to Transmission decrease as described in slide 15.
- \$20 million below rate case due to a \$17 million decrease in Facilities and \$2 million decrease in Security.

Row 4 – Upgrades and additions: \$3.5 million above rate case due to:

- \$3.5 million increase for a fully loaded expand facilities project.

Rows 6-8 – Projects Funded in Advance (PFIA): \$43 million below rate case due to customer delays/cancellations as well as contract delays.

Power Business Unit

Row 13 – Bureau of Reclamation: \$108 million below rate case due to Asset Investment Excellence initiative reprioritization in the capital program that shifted more investment to the Corps and cancelled or delayed Reclamation projects.

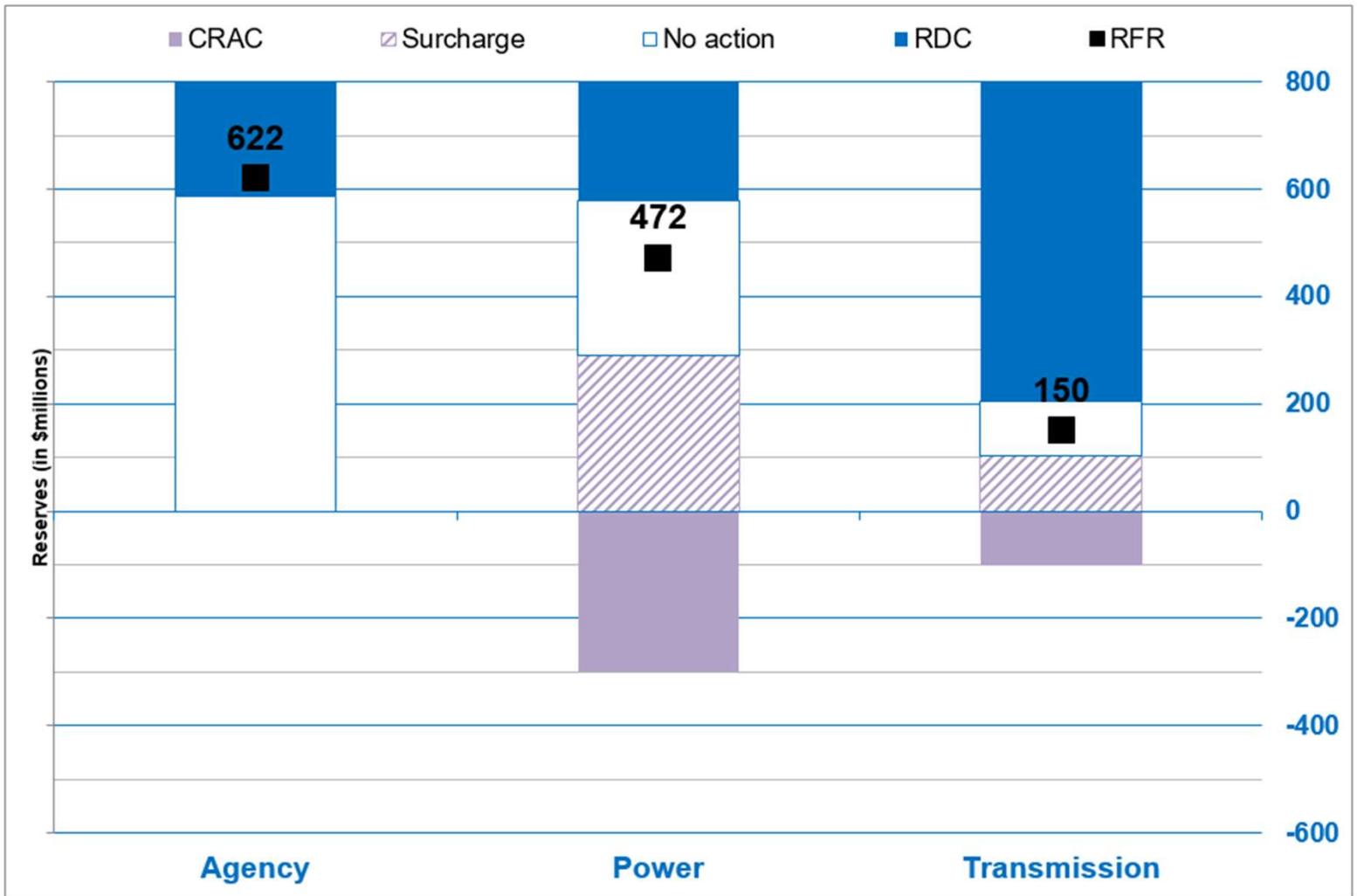
Row 14 – Corps of Engineers: \$45 million above rate case due to project prioritization, but scoping, design, and execution ramp up has been slower than expected causing the program to fall short of filling the capital reduction in Reclamation projects.

Row 15 – Power IT: \$2 million below rate case due to prioritization of Corporate IT projects which reduced Power specific IT spending.

Corporate Business Unit

Row 18 – Corporate IT projects: \$9 million above rate case due to prioritization of Corporate IT projects including Grid Mod and enterprise business system disaster recovery project for DOE policy compliance, and project components qualifying for capital when assumed to be expense.

FY21 Reserves For Risk



Days Cash **91** **93** **86**

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

FY21 Total Reserves

(in \$ Thousands)		FY2020		A	B	C	D	E
		EOY	Days Cash	BP-20 FY 2021	BP-20 Days Cash	FY2021		Delta
POWER						Q1	Days Cash	(C - A)
1	PS RESERVES for RISK	435,266	95	279,117	57	472,163	93	193,045
2	PS RESERVES not for RISK	69,543		122,805		96,600		(26,205)
3	PS TOTAL RESERVES	504,809		401,923		568,763		166,840
TRANSMISSION								
4	TS RESERVES for RISK	272,312	160	91,282	56	150,111	86	58,829
5	TS RESERVES not for RISK	112,356		113,241		57,700		(55,541)
6	TS TOTAL RESERVES	384,668		204,523		207,811		3,288
AGENCY								
7	RESERVES for RISK	707,578	113	370,400	57	622,274	91	251,874
8	RESERVES not for RISK	181,899		236,046		154,300		(81,746)
9	AGENCY TOTAL RESERVES	889,478		606,446		776,574		170,128

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

Power Crosswalk – Key Drivers

PS FY21 EOY Reserves for Risk (RFR) is forecasted to be \$472m, which is ~\$192m above the rate case forecast of \$280m. Key drivers:

- The BP-20 Rate Case assumed PS ended FY20 with RFR = \$323m, but PS ended FY20 with \$435m, resulting in \$112m more in RFR heading into FY21 than assumed in the rate case.
- FY21 Driver: The Q1 Net Revenue (NR) forecast is \$93m higher than the rate case projection due to higher secondary revenue and lower non-IPR expenses. Adjustments to reserves:
 - Dep/Amort/Accret is \$35m lower than rate case, but is non-cash
 - Q1 incorporates an interest expense change, increasing EN interest expense on an accrual and non-cash basis by ~\$70m, which is offset by forecasted Q4 cash payments to EN, netting to \$34m
 - The \$20m gain on WNP 1 & 4 decommissioning funds is non-cash

(\$ in millions)	
Power Crosswalk	
Q1 FY21 EOY RFR Forecast	472
BP-20 RFR Forecast	280
Delta	<u>\$192</u>
<u>Explain the \$192M Delta</u>	
FY21 SOY RFR Beg Bal Delta from RC	112
Increase in Net Revenues	93
Non-Cash Net Revenue Items:	
Decreased Dep/Amort/Accr	(35)
Increased EN Int Exp Accrual; Cash Pymts	34
Non-Cash WNP1/4 Gain	(20)
Customer Payment Extension to FY21	7
	<u>\$190</u>

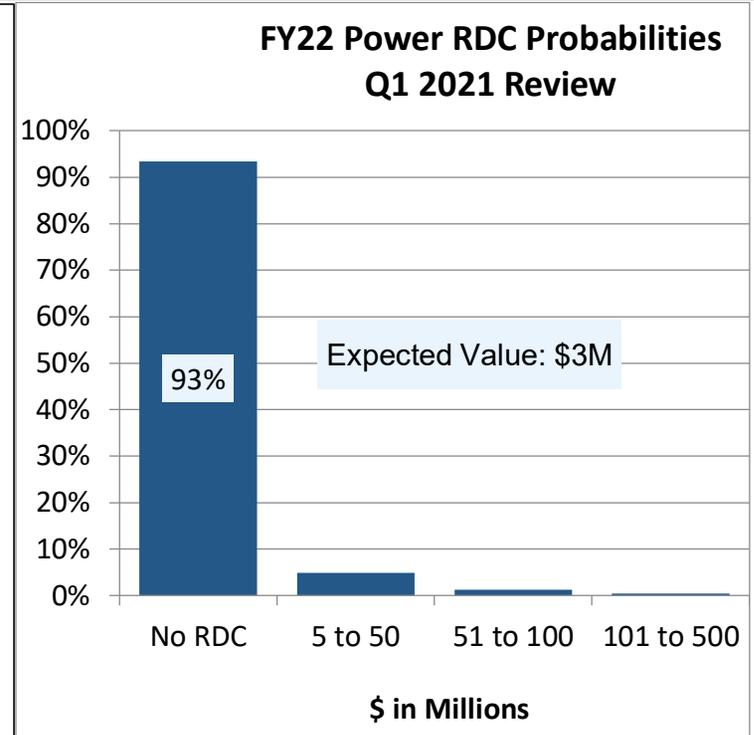
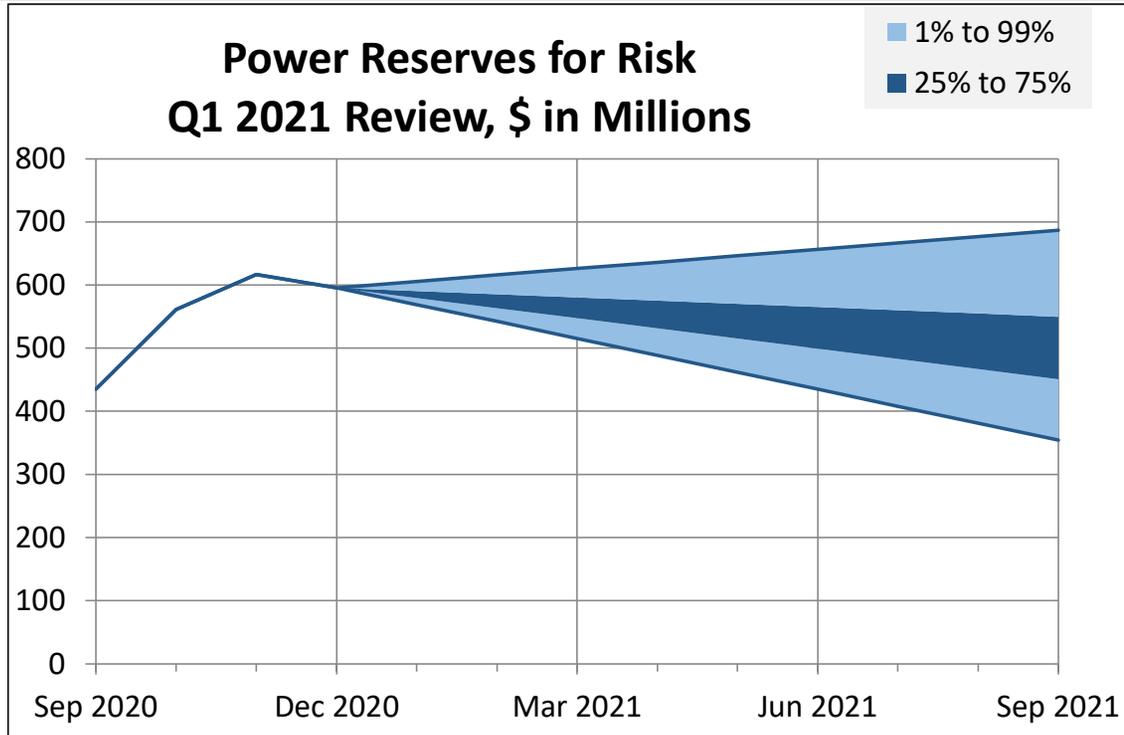
Transmission Crosswalk – Key Drivers

TS FY21 EOY Reserves for Risk (RFR) is forecasted to be \$150m, which is ~\$59m above the rate case forecast of \$91m. Key drivers:

- The BP-20 Rate Case assumed TS ended FY20 with RFR = \$144m, but TS ended FY19 with \$272m, resulting in \$128m more in RFR heading into FY21 than assumed in the rate case.
- FY21 Drivers: The Q1 Net Revenue (NR) forecast is \$21m higher primarily due to higher short term revenue and lower operating expenses. Major adjustments to reserves:
 - \$80m additional repayment for RDC
 - Small changes in both non-cash expenses and non-cash revenues

Transmission Crosswalk	
Q1 FY21 EOY RFR Forecast	150
BP-20 RFR Forecast	91
Delta	<u>\$59</u>
<u>Explain the \$59M Delta</u>	
FY21 SOY RFR Beg Bal Delta from RC	128
Increase in Net Revenues	21
Non-Cash Net Revenue Items:	
Additional Debt Repymt (RDC)	(80)
Increased Non Cash Revenues	(10)
Decreased Dep/Amort	(4)
Increased Other Non Cash Exp	3
	<u>\$59</u>

Financial Reserves Update



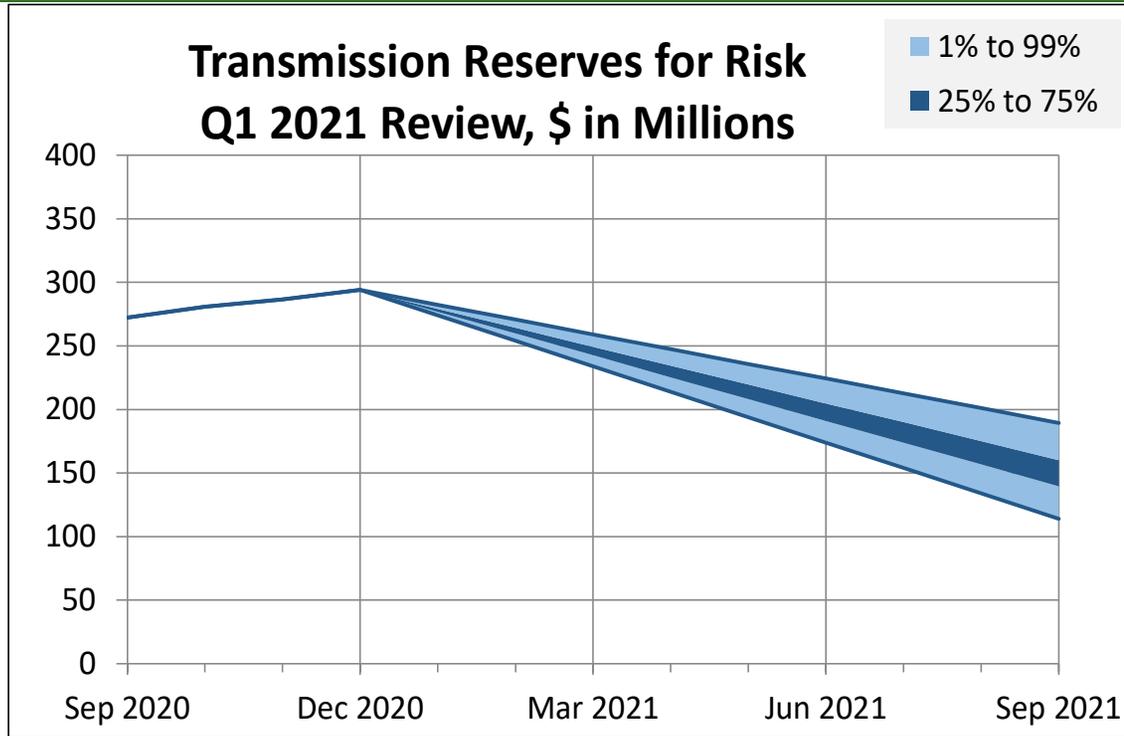
Power Reserves Distribution

- 1% to 99% Range: \$356m to \$682m
- 25% to 75% Range: \$450m to \$551m

Power Risk Mechanisms

- 0% modeled probability of a CRAC or FPR Surcharge
- 7% modeled probability of a Power RDC with an Expected Value of \$3m

Financial Reserves Update



Transmission Reserves Distribution

- 1% to 99% Range:
\$114m to \$189m
- 25% to 75% Range:
\$140m to \$160m

Transmission Risk Mechanisms

- 0% modeled probability of a CRAC FRP Surcharge, or RDC

Strategic Cost Management Initiative

Marchelle Watson, Chris Dunning

Strategic Cost Management (SCM) Project Overview

- **Introduction:**

- Reduce costs to remain at or below inflation without the use of undistributed reductions
- Utilize the Enterprise Architecture Frameworks we have established over the last year to strategically prioritize spending across the agency
- Create cross-agency teams to evaluate programmatic areas for cost reductions

- **Goal:**

- Short term: Strategically evaluate and prioritize spending for FY22 to meet IPR commitment
- Long term: Establish a methodology to improve BPA's cost-management discipline post FY22

Strategic Cost Management (SCM) Project Overview

Status and Next Steps

1. Finance is developing reporting and analysis tools to visualize how costs flow from departments to program plans and revenue requirements
2. The team is using Enterprise Architecture to identify potential areas for cost reduction. Building on the functionality will support the development of long term processes for better cost management post FY22.
3. Planning March - May working sessions to analyze and review recommendations for reductions

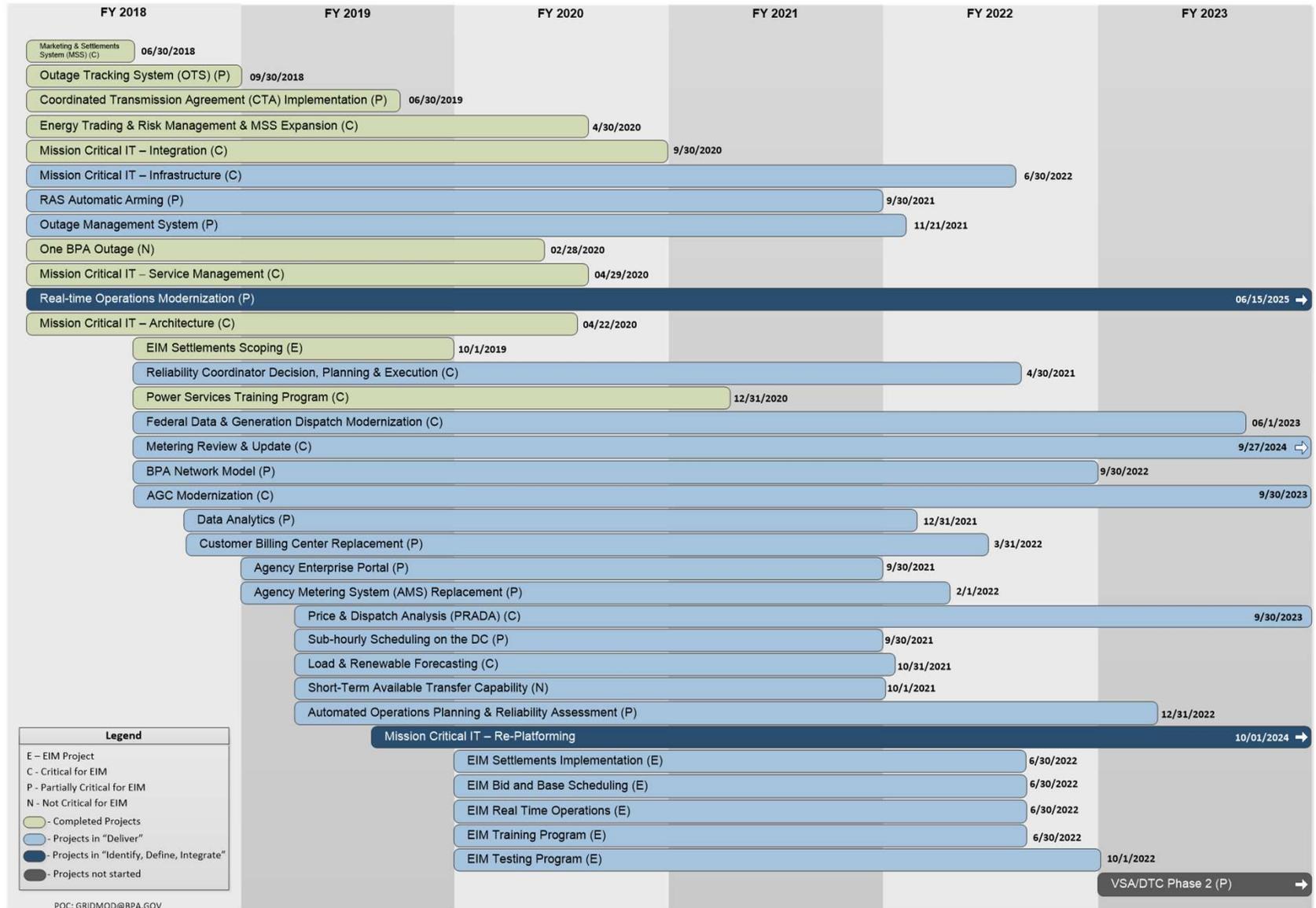


Grid Modernization Update

Allie Mace

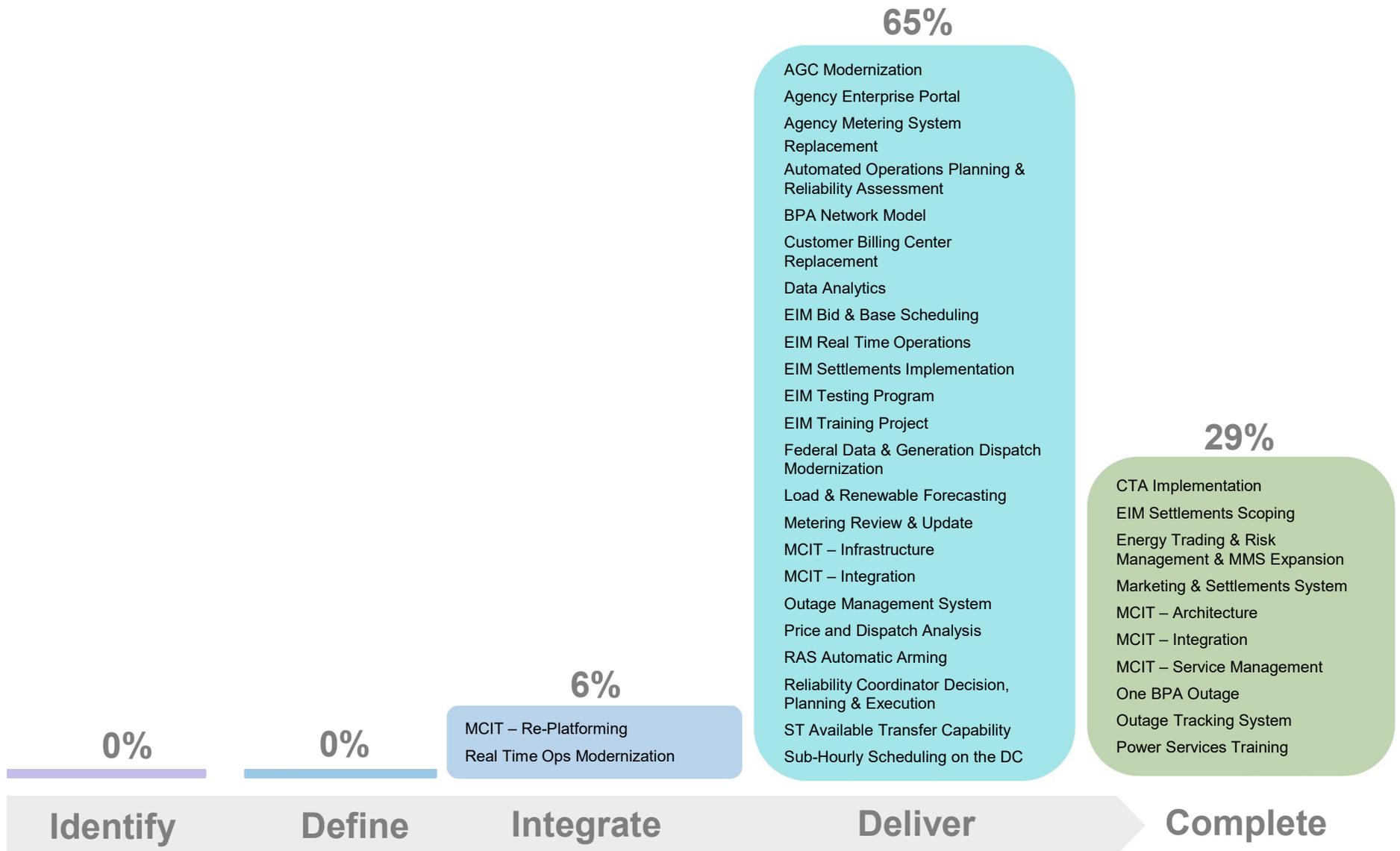
Grid Modernization Roadmap

FY21 Q2
As of 1/28/2021 – Subject to Change



POC: GRIDMOD@BPA.GOV

GM Mobilization Status



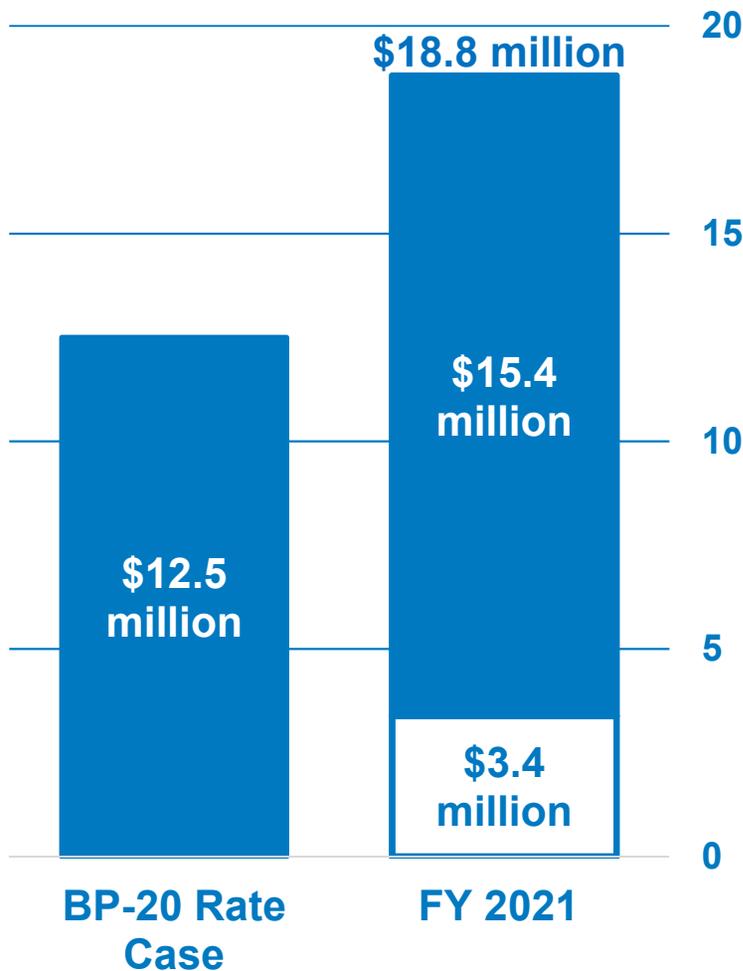
Grid Modernization Progress Metric



93%

- 93% 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**

Total Grid Mod FY 2021 Spending



- In Q1, grid modernization spent \$3.4 million.
- BPA is anticipating a total spend of \$18.8 million, \$6.3 million over the BP-20 Rate Case budget.
- \$1.7 million will be covered by carryover from FY 2020.

GM Finance Metric



15%

- In Q1, grid modernization projects in Complete or Deliver spent \$2.2 million out of an expected \$14.2 million, or 15% of the grid modernization budget.
- **Status: Green**

GM Project Update

- Metering Review and Update – Grand Coulee substation high-side metering construction complete. Read the article [here](#).
- Agency Enterprise Portal
 - Modernizes online public and customer experience on the agency’s website, delivering a supportable, flexible digital platform to meet customers’ and visitors’ needs.
 - AEP will also update how customers access metering and billing data. The project is working closely with the Agency Metering System Replacement and Customer Billing Center Replacement projects.

Western Energy Imbalance Market

- Projects are on track to be in place for testing in June.
- [EIM Implementation Roadmap](#) completed milestone:
 - EIM Entity Scheduling Coordinator draft policies and procedures completed in January.

EIM Implementation Outreach



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

Q1 True-Up of FY 2021 Slice True-Up Adjustment

	FY 2021 Forecast \$ in thousands
February 16, 2020 First Quarter Technical Workshop	\$3,182*
May 18, 2021 Second Quarter Technical Workshop	
August 17, 2021 Third Quarter Technical Workshop	
November 2021 Final Slice True-Up Technical Workshop	

*Negative = Credit; Positive = Charge

Summary of Differences From Q1 to FY21 (BP-20)

#		A Composite Cost Pool True-Up Table Reference	B Q1 – Rate Case \$ in thousands
1	Total Expenses	Row 95	\$12,587
2	Total Revenue Credits	Rows 113 + 122	\$(8,380)
3	Minimum Required Net Revenue	Row 145	\$(7,971)
4	TOTAL Composite Cost Pool (1 - 2 + 3) \$12,587 - \$(8,380) + \$(7,971) = 12,996	Row 150	\$12,996
5	TOTAL in line 4 divided by <u>0.928688</u> sum of TOCAs \$12,996/ <u>0.928688</u> = \$13,994	Row 152	\$13,994
6	QTR Forecast of FY 21 True-up Adjustment 22.7358 percent of Total in line 5 0.227358 * \$13,994 = \$3,129)	Row 153	\$3,182

FY21 Impacts of Debt Management Actions

		A	B	C	D
<u>FY21 Impacts of Acceleration of Debt</u>					
#	Description	FY21 Q1 QBR	FY21 Rate Case	CCP	Delta from the FY20 rate case
1	MRNR Section of Composite Cost Pool Table				\$ -
2	Principal Payment of Federal Debt				\$ -
3	2020 Regional Cooperation Debt (RCD)	\$ 305,405,000	\$ 305,405,000		\$ -
4	2020 Debt Service Reassignment (DSR)	\$ 15,885,000	\$ 15,885,000		\$ -
5	Prepay	\$ -	\$ -		\$ -
6	Energy Northwest's Line Of Credit (LOC)	\$ -	\$ -		\$ -
7	Rate Case Scheduled Base Power Principal	\$ 196,774,668	\$ 196,774,668		\$ -
8	Total Principal Payment of Fed Debt	\$ 518,064,668	\$ 518,064,668	row 125	\$ -
					\$ -
9	Repayment of Non-Federal Obligations	\$ -	\$ -	row 126	\$ -
					\$ -
10	Customer Proceeds	\$ -	\$ -	row 134	\$ -
11	Non-Cash Expenses	\$ 50,785,000	\$ -	row 133	\$ (50,785,000)
12	Nonfederal Bond Principal Payment	\$ 22,871,000	\$ 22,871,000	row 127	\$ -

Composite Cost Pool Interest Credit

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

		<u>Q1 2021</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	0.07%
5	Composite Interest Credit	(431)
6	Prepay Offset Credit	0
7	Total Interest Credit for Power Services	(299)
8	Non-Slice Interest Credit (Line 7 – (Line 5 + Line 6))	132

Net Interest Expense in Slice True-Up Final

	FY21 Rate Case	Q1
	<u>(\$ in thousands)</u>	<u>(\$ in thousands)</u>
• Federal Appropriation	45,909	43,738
• Capitalization Adjustment	(45,937)	(45,937)
• Borrowings from US Treasury	68,940	48,838
• Prepay Interest Expense	8,863	8,863
• Interest Expense	77,775	55,502
• AFUDC	(16,493)	(13,950)
• Interest Income (composite)	(5,485)	(431)
• Prepay Offset Credit	(0)	(0)
• Total Net Interest Expense	55,797	41,121

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

Dates	Agenda
February 16, 2021	First Quarter Technical Workshop
May 18, 2021	Second Quarter Technical Workshop
August 17, 2021	Third Quarter Technical Workshop
October 2021	BPA External CPA firm conducting audit for fiscal year end
Mid-October 2021	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, 2021	Mail notification to Slice Customers of the Slice True-Up Adjustment for the Composite Cost Pool
November 18, 2021	BPA to post Composite Cost Pool True-Up Table containing actual values and the Slice True-Up Adjustment
November 2021	Fourth Quarter Business Review and 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 10, 2021	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, 2021	BPA posts a response to customer questions (Attachment A does not specify an exact date)
January 11, 2022	Customer comments are due on the list of tasks (The deadline can not exceed 10 days from BPA posting)
February 3, 2022	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				
		Q1 (\$000)	Rate Case forecast for FY 2021 (\$000)	Q1- Rate Case Difference
1	Operating Expenses			
2	Power System Generation Resources			
3	Operating Generation			
4	COLUMBIA GENERATING STATION (WNP-2)	\$ 319,666	\$ 319,506	\$ 160
5	BUREAU OF RECLAMATION	\$ 154,879	\$ 151,623	\$ 3,256
6	CORPS OF ENGINEERS	\$ 262,557	\$ 252,557	\$ 10,000
7	LONG-TERM CONTRACT GENERATING PROJECTS	\$ 13,402	\$ 13,250	\$ 152
8	Sub-Total	\$ 750,504	\$ 736,936	\$ 13,568
9	Operating Generation Settlement Payment and Other Payments			
10	COLVILLE GENERATION SETTLEMENT	\$ 22,997	\$ 22,997	\$ -
11	SPOKANE LEGISLATION PAYMENT	\$ -	\$ -	\$ -
12	Sub-Total	\$ 22,997	\$ 22,997	\$ -
13	Non-Operating Generation			
14	TROJAN DECOMMISSIONING	\$ 1,200	\$ 1,200	\$ -
15	WNP-1&3 DECOMMISSIONING	\$ 1,081	\$ 331	\$ 750
16	Sub-Total	\$ 2,281	\$ 1,531	\$ 750
17	Gross Contracted Power Purchases			
18	PNCA HEADWATER BENEFITS	\$ 3,100	\$ 3,100	\$ -
19	OTHER POWER PURCHASES (omit, except Designated Obligations or Pur)	\$ 7,095	\$ -	\$ 7,095
20	Sub-Total	\$ 10,195	\$ 3,100	\$ 7,095
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)	\$ 249,767	\$ 249,767	\$ (0)
27	OTHER SETTLEMENTS	\$ -	\$ -	\$ -
28	Sub-Total	\$ 249,767	\$ 249,767	\$ (0)
29	Renewable Generation			
30	RENEWABLES (excludes Kill)	\$ 25,464	\$ 24,711	\$ 753
31	Sub-Total	\$ 25,464	\$ 24,711	\$ 753
32	Generation Conservation			
33	CONSERVATION ACQUISITION	\$ 62,500	\$ 67,000	\$ (4,500)
34	CONSERVATION INFRASTRUCTURE	\$ 29,486	\$ 27,296	\$ 2,191
35	LOW INCOME WEATHERIZATION & TRIBAL	\$ 7,416	\$ 5,853	\$ 1,563
36	ENERGY EFFICIENCY DEVELOPMENT	\$ 5,126	\$ 8,000	\$ (2,874)
37	DISTRIBUTED ENERGY RESOURCES	\$ 215	\$ 855	\$ (640)
38	LEGACY	\$ 619	\$ 590	\$ 29
39	MARKET TRANSFORMATION	\$ 11,781	\$ 12,050	\$ (269)
40	Sub-Total	\$ 117,143	\$ 121,644	\$ (4,501)
41	Power System Generation Sub-Total	\$ 1,178,350	\$ 1,160,685	\$ 17,665
42				

COMPOSITE COST POOL TRUE-UP TABLE				
		Q1 (\$000)	Rate Case forecast for FY 2021 (\$000)	Q1- Rate Case Difference
43	Power Non-Generation Operations			
44	Power Services System Operations			
45	EFFICIENCIES PROGRAM	\$ -	\$ -	\$ -
46	INFORMATION TECHNOLOGY	\$ -	\$ 6,775	\$ (6,775)
47	GENERATION PROJECT COORDINATION	\$ 3,846	\$ 6,205	\$ (2,359)
48	ASSET MGMT ENTERPRISE SVCS	\$ 342	\$ -	\$ 342
49	SLICE IMPLEMENTATION	\$ 891	\$ 575	\$ 316
50	Sub-Total	\$ 5,079	\$ 13,555	\$ (8,476)
51	Power Services Scheduling			
52	OPERATIONS SCHEDULING	\$ 9,183	\$ 9,148	\$ 35
53	OPERATIONS PLANNING	\$ 8,317	\$ 5,839	\$ 2,478
54	Sub-Total	\$ 17,500	\$ 14,987	\$ 2,513
55	Power Services Marketing and Business Support			
56	COMMERCIAL ENTERPRISE SVCS	\$ 7,372	\$ -	\$ 7,372
57	OPERATIONS ENTERPRISE SVCS	\$ 4,189	\$ -	\$ 4,189
58	POWER R&D	\$ 2,527	\$ 2,666	\$ (140)
59	SALES & SUPPORT	\$ 12,008	\$ 23,954	\$ (11,946)
60	STRATEGY, FINANCE & RISK MGMT (REP support costs includ	\$ 24,877	\$ 17,092	\$ 7,784
61	EXECUTIVE AND ADMINISTRATIVE SERVICES (REP support cost	\$ 4,198	\$ 3,968	\$ 230
62	CONSERVATION SUPPORT	\$ 8,966	\$ 8,699	\$ 267
63	Sub-Total	\$ 64,137	\$ 56,380	\$ 7,757
64	Power Non-Generation Operations Sub-Total	\$ 86,716	\$ 84,922	\$ 1,793
65	Power Services Transmission Acquisition and Ancillary Services			
66	TRANSMISSION and ANCILLARY Services - System Obligations	\$ 32,028	\$ 32,028	\$ -
67	3RD PARTY GTA WHEELING	\$ 84,000	\$ 96,200	\$ (12,200)
68	POWER 3RD PARTY TRANS & ANCILLARY SVCS (Composite	\$ 2,384	\$ 2,384	\$ -
69	TRANS ACQ GENERATION INTEGRATION	\$ 13,671	\$ 13,671	\$ -
70	TELEMETERING/EQUIP REPLACEMT	\$ -	\$ -	\$ -
71	Power Services Trans Acquisition and Ancillary Serv Sub-Total	\$ 132,083	\$ 144,283	\$ (12,200)
72	Fish and Wildlife/USF&W/Planning Council/Environmental Req			
73	Fish & Wildlife	\$ 250,031	\$ 250,031	\$ -
74	USF&W Lower Snake Hatcheries	\$ 30,979	\$ 30,483	\$ 496
75	Planning Council	\$ 11,744	\$ 11,956	\$ (212)
76	Environmental Requirements	\$ -	\$ -	\$ -
77	Fish and Wildlife/USF&W/Planning Council Sub-Total	\$ 292,754	\$ 292,470	\$ 284
78	BPA Internal Support			
79	Additional Post-Retirement Contribution	\$ 17,870	\$ 20,831	\$ (2,961)
80	Agency Services G&A (excludes direct project support)	\$ 59,161	\$ 57,644	\$ 1,517
81	BPA Internal Support Sub-Total	\$ 77,031	\$ 78,475	\$ (1,444)
82	Bad Debt Expense	\$ -	\$ -	\$ -
83	Other Income, Expenses, Adjustments	\$ -	\$ -	\$ -
84	Depreciation	\$ 145,000	\$ 141,050	\$ 3,950
85	Amortization	\$ 310,400	\$ 349,151	\$ (38,751)
86	Accretion (CGS)	\$ 34,600	\$ 35,213	\$ (613)
87	Total Operating Expenses	\$ 2,256,934	\$ 2,286,251	\$ (29,316)
88				

COMPOSITE COST POOL TRUE-UP TABLE				
		Q1 (\$000)	Rate Case forecast for FY 2021 (\$000)	Q1- Rate Case Difference
89	Other Expenses and (Income)			
90	Net Interest Expense	\$ 243,178	\$ 202,407	\$ 40,771
91	LDD	\$ 40,259	\$ 39,107	\$ 1,152
92	Irrigation Rate Discount Costs	\$ 20,885	\$ 20,905	\$ (20)
93	Other Expense and (Income)	\$ -	\$ -	\$ -
94	Sub-Total	\$ 304,322	\$ 262,418	\$ 41,903
95	Total Expenses	\$ 2,561,256	\$ 2,548,669	\$ 12,587
96				
97	Revenue Credits			
98	Generation Inputs for Ancillary, Control Area, and Other Services Reve	\$ 120,713	\$ 121,742	\$ (1,030)
99	Downstream Benefits and Pumping Power revenues	\$ 19,667	\$ 19,364	\$ 303
100	4(h)(10)(c) credit	\$ 82,568	\$ 86,852	\$ (4,284)
101	Colville and Spokane Settlements	\$ 4,600	\$ 4,600	\$ 0
102	Energy Efficiency Revenues	\$ 5,126	\$ 8,000	\$ (2,874)
103	PF Load Forecast Deviation Liquidated Damages	\$ 9,315	\$ 9,489	\$ (175)
104	Miscellaneous revenues	\$ 12,209	\$ 12,397	\$ (188)
105	Renewable Energy Certificates	\$ -	\$ -	\$ -
106	Net Revenues from other Designated BPA System Obligations (Upper	\$ 347	\$ 347	\$ (0)
107	RSS Revenues	\$ 2,813	\$ 2,813	\$ -
108	Firm Surplus and Secondary Adjustment (from Unused RHWM)	\$ 61,756	\$ 61,756	\$ -
109	Balancing Augmentation Adjustment	\$ 4,273	\$ 4,273	\$ -
110	Transmission Loss Adjustment	\$ 30,308	\$ 30,308	\$ -
111	Tier 2 Rate Adjustment	\$ 615	\$ 615	\$ -
112	NR Revenues	\$ 1	\$ 1	\$ -
113	Total Revenue Credits	\$ 354,308	\$ 362,557	\$ (8,249)
114				
115	Augmentation Costs (not subject to True-Up)			
116	Tier 1 Augmentation Resources (includes Augmentation RSS and Augmentatic	\$ 12,477	\$ 12,477	\$ -
117	Augmentation Purchases	\$ -	\$ -	\$ -
118	Total Augmentation Costs	\$ 12,477	\$ 12,477	\$ -
119				
120	DSI Revenue Credit			
121	Revenues 12 aMW @ IP rate	\$ 4,159	\$ 4,291	\$ (131)
122	Total DSI revenues	\$ 4,159	\$ 4,291	\$ (131)
123				
124	Minimum Required Net Revenue Calculation			
125	Principal Payment of Fed Debt for Power	\$ 518,065	\$ 518,065	\$ -
126	Repayment of Non-Federal Obligations (EN Line of Credit)	\$ -	\$ -	\$ -
127	Repayment of Non-Federal Obligations (CGS, WNP1, WNP3, N. Wasco, Cowl	\$ 22,871,000	\$ 22,871	\$ -
128	Irrigation assistance	\$ 22,147	\$ 22,147	\$ -
129	Sub-Total	\$ 563,083	\$ 563,083	\$ -

COMPOSITE COST POOL TRUE-UP TABLE				
		Q1 (\$000)	Rate Case forecast for FY 2021 (\$000)	Q1- Rate Case Difference
130	Depreciation	\$ 145,000	\$ 141,050	\$ 3,950
131	Amortization	\$ 310,400	\$ 349,151	\$ (38,751)
132	Accretion	\$ 34,600	\$ 35,213	\$ (613)
133	Capitalization Adjustment	\$ (45,937)	\$ (45,937)	\$ -
134	Non-Cash Expenses	\$ 50,785	\$ -	\$ 50,785
135	Customer Proceeds	\$ -	\$ -	\$ -
136	Cash freed up by DSR refinancing	\$ 15,885	\$ 15,885	\$ -
137	Prepay Revenue Credits	\$ (30,600)	\$ (30,600)	\$ -
138	Bond Call Premium/Discount	\$ -	\$ -	\$ -
139	Non-Federal Interest (Prepay)	\$ 8,863	\$ 8,863	\$ -
140	Contribution to decommissioning trust fund	\$ (4,300)	\$ (4,300)	\$ -
141	Gains/losses on decommissioning trust fund	\$ (5,220)	\$ (5,220)	\$ -
142	Interest earned on decommissioning trust fund	\$ (9,112)	\$ (9,112)	\$ -
143	Sub-Total	\$ 470,364	\$ 454,993	\$ 15,371
144	Principal Payment of Fed Debt plus Irrigation assistance exceeds non cash ex	\$ 92,719	\$ 100,690	\$ (7,971)
145	Minimum Required Net Revenues	\$ 92,719	\$ 100,690	\$ (7,971)
146				
147	Annual Composite Cost Pool (Amounts for each FY)	\$ 2,307,985	\$ 2,294,989	\$ 12,996
148				
149	SLICE TRUE-UP ADJUSTMENT CALCULATION FOR COMPOSITE COST POOL			
150	TRUE-UP AMOUNT (Diff. between Rate Case and Forecast)	12,996		
151	Sum of TOCAs	0.9286880		
152	Adjustment of True-Up Amount when actual TOCAs < 100 percent	13,994		
153	TRUE-UP ADJUSTMENT CHARGE BILLED (22.7358 percent)	3,182		

Appendix

Reserves Materials

(Dollars in Thousands)

POWER SERVICES RESERVES - FY2021		FY2021
1	Cash Flows from Operating Activities	Q1
2	Net revenues (expenses)	161,282
3	Non-cash items:	
4	<i>Adjustments to reconcile net revenues to cash provided by operations</i>	
5	Depreciation and amortization	490,000
6	Capitalization Adjustment	(45,937)
7	CGS Decommissioning Fund Gains/Losses/Interest - Non Cash Revenue	(34,332)
8	PrePay - Non Cash Revenue	(30,600)
9	PrePay - Non Federal Interest	8,863
10	Cash Contribution to Decommissioning Trust	(4,264)
11	EN Cash vs Accrual Delta	33,680
12	Extended Customer Bill Payments from FY2020 (Cowlitz)	7,000
13	Net Cash Provided by Operating Activities	585,692
14	Cash Flows from Investing Activities	
15	Investments in Utility Plant, including AFUDC	(263,199)
16	Fish & Wildlife	(47,266)
17	Net Cash Provided by Investing Activities	(310,465)
18	Cash Flows from Financing Activities	
19	Cash Sources - Financing	
20	Federal Borrowings	332,000
21	Appropriations Funding	42,646
22	NonFederal Borrowing	
23	RCD Extension	15,885
24	Cash Uses - Financing	
25	Federal Bond Repayment	(519,000)
26	Federal Appropriations Repayment	
27	Non-Federal Debt Payment	(23,570)
28	Irrigation Assistance	(22,112)
29	Net Cash Provided by Financing Activities	(174,151)
30	Net increase (decrease) in cash and cash equivalents	101,076
31	Beginning Cash and Cash Equivalent Balance	322,203
32	Deferred Borrowing Beginning Balance	182,606
33	Change in Deferred Borrowing	(64,181)
34	Change in RNFR	27,057
35	EOY Total Reserves	568,763
36	TOTAL RESERVES	568,763
37	RESERVES NOT FOR RISK	96,600
38	RESERVES FOR RISK	472,163

(Dollars in Thousands)

TRANSMISSION SERVICES RESERVES - FY2021		FY 21
		Q1
1	Cash Flows from Operating Activities	
2	Net revenues (expenses)	(10,286)
3	Non-cash items:	
4	<i>Adjustments to reconcile net revenues to cash provided by operations</i>	
5	Depreciation and amortization	344,320
6	Capitalization Adjustment	(18,968)
7	Amortization of Capitalized Bond Premiums	559
8	Transmission Credit Projects Net Interest - Non Cash Expense	5,395
9	LGIA Credit Forecast - Non Cash Revenue	(22,953)
10	AC Intertie - Non Cash Revenue	(2,210)
11	Fiber Revenues - Non Cash Revenue	(6,429)
12	Net Cash Provided by Operating Activities	289,429
13	Cash Flows from Investing Activities	
14	Investments in Utility Plant, including AFUDC	(441,987)
15	Net Cash Provided by Investing Activities	(441,987)
16	Cash Flows from Financing Activities	
17	Cash Sources - Financing	
18	Federal Borrowings	453,000
19	Appropriations Funding	
20	Non-Federal Borrowings	
21	Other Financing	
22	Projects Ineligible for Borrowing Authority (PFIA)	23,013
23	Lease Financing Projects (LP draw forecast)	19,500
24	Revenue Financing - Leverage	26,467
25	Cash Uses - Financing	
26	Federal Bond Repayment	(285,000)
27	Federal Appropriations Repayment	
28	Non-Federal Debt Payment	(100,163)
29	Revenue Financing - Leverage	(26,467)
30	Net Cash Provided by Financing Activities	110,350
31	Net increase (decrease) in cash and cash equivalents	(42,208)
32	Beginning Cash and Cash Equivalent Balance	193,652
33	Deferred Borrowing Beginning Balance	191,016
34	Change in Deferred Borrowing	(79,993)
35	Change in RNFR	(54,656)
36	EOY Total Reserves	207,811
37	TOTAL RESERVES	207,811
38	RESERVES NOT FOR RISK	57,700
39	RESERVES FOR RISK	150,111

Appendix – Additional Transmission Crosswalk Information

Reserves forecast from BP20

Transmission Revenue Requirement Study Documentation

TABLE 5-3
INTEREST INCOME FROM PROJECTED CASH BALANCES
REVENUES FROM PROPOSED RATES
((\$000s))

	A	B
	<u>2020</u>	<u>2021</u>
1 ANNUAL CASH SURPLUS/(DEFICIT)	(3,987)	(424)
2 ADJUSTMENTS TO CASH	-	-
3 SOY CASH BALANCE	206,520	144,183
4 EOY CASH BALANCE	144,183	91,282
5 AVERAGE CASH BALANCE	175,352	117,733

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BP20 Forecasted
Reserve Levels

FY20 SOY Reserves	\$207
FY20 EOY Reserves	\$144
Change in Reserves	<u>(\$62)</u>
FY21 SOY Reserves	\$144
FY21 EOY Reserves	\$91
Change in Reserves	<u>(\$53)</u>

Change in reserves reflects use of reserves to support the rate settlement. Averaging ~\$55m/yr.

BP20 Use of Reserves:

- Built into BP20 rates is the use of reserves to offset expenses to have the effect of lowering rates. Specifically, rates include a drawdown of reserves of about \$55m/year.
- Rate case documentation, at left, shows the impact to forecasted reserves levels, from including in rates this use of reserves.

Other Key Points:

- Transmission started FY21 with reserves levels much better than BP20 forecasted.
- Transmission Q1 net revenue forecast is still negative overall, but improved by \$21m compared to the BP20 rate case.
- Based on FY20 EOY results, the Transmission RDC triggered for ~\$80m, to be used for debt reduction, applied in FY21, reflected in the current forecast.

Reserves Crosswalk

(in millions)

BP20 FY21 EOY Reserves	\$91
Reserves SOY Balance compared to BP20	\$128
FY21 NR Increase compared to BP20	\$21
Other Non-Cash Revenue compared to BP20	(\$10)
RDC Additional Debt Payment	<u>(\$80)</u>
FY21 Q1 EOY Reserves Forecast	<u>\$150</u>

Financial Disclosures

This information has been made publicly available by BPA on February 12, 2021 and contains information not sourced directly from BPA financial statements.