

# QBR Follow Ups

## February 2016

- **What is the First Quarter forecast of End-of-Year FPS Revenues?**
  - The End of Year FPS revenue forecast cannot be disclosed since it is a business and market sensitive value. However, End-of-Year (EOY) FPS actuals will be provided at the November Quarterly Business Review and Q1 FPS actuals will be posted to FERC's electronic report site 30 days after the Quarterly Business Review.
  
- **Can the Power Services Detailed Statement of Revenues Report be populated with the current EOY forecast?**
  - The current EOY forecast for the Power Services Detailed Statement of Revenues cannot be provided due to business and market sensitive information. End-of-Year actuals will be revealed at the November Quarterly Business Review.
  
- **Can BPA provide a longer-term projection of reserves?**
  - At this point in time we do not have a longer-term projection of reserves we can share. We will be having further discussions around reserves and developing a reserves policy. These discussions kick-off March 29.

- **The net of lines 1, 4, 8, 9, and 10 on slide 21 is an increase over the rate case of \$18.2 million. Can you explain what is contributing to this net increase?**
  - There is a relationship between rows 1,8,9,10. Row 1 is the increased appropriations payment as a result of the Regional Cooperation Debt (RCD) transaction, which extended \$618,838 of Energy Northwest Regional Cooperation Debt, freeing up cash in the Bonneville Fund to pay off \$618,838 of appropriations (as seen in line 1). The extension of this debt is reflected in the decreases in lines 8, 9, and 10. There are two reasons that the totals of 8, 9, and 10 do not equal \$618,838 (they total \$604,630).
  - The changes to CGS debt service were not shown in the table. However there is a \$2.4 million reduction to CGS debt service as well.
  - When Energy Northwest debt is extended, this increases interest expense. The remaining \$12 million difference is due to this increase in Energy Northwest interest expense.
    - This interest expense increase is offset by a corresponding decrease in federal interest expense from the early repayment of federal appropriations 7.15% debt. Customers benefited from roughly \$39 million lower interest expense in BP-16 as a result of these debt management actions.
    - Interest expense changes from paying \$618,838 of appropriations on 9/30/16 will reduce FY 2017 interest expense.
- **Is it due to the net cost of expensing conservation greater than anticipated in the rate case?**
  - No, the cost of expensing conservation is not greater than anticipated in the rate case.

- **What makes up the \$231 million in row 10 on slide 21?**
  - The \$231 million is made up of \$130 million of cash freed up from debt management actions related to Debt Service Reassignment (DSR) carried over from 2015 and \$101.973 of cash freed up from debt management actions related to DSR from 2016. These two amounts are part of debt management actions to pay additional federal appropriations. The \$231 million is included as an additional amount of federal appropriations in row 1.

**Lower Level Differences  
From Q1 Forecast to FY 2016 (BP-16)**

#	Line Item of Values Changed Over \$4.0 M	Composite Cost Pool True-Up Table Reference	Q1 – FY 2016 Rate Case (\$ in thousands)
1	Principal Payment of Fed Debt for Power	Row 135	\$ 618,838
2	Other Income, Expenses, Adjustments	Row 79	\$ 25,896
3	Agency Services G&A	Row 76	\$ 8,635
4	Amortization	Row 139	\$ 4,000
5	Energy Efficiency Revenues	Row 110	\$ (5,000)
6	DSI Revenue Credit	Row 131	\$ (6,896)
7	STRATEGY, FINANCE & RISK MGMT	Row 56	\$ (8,231)
8	WNP-3 DEBT SVC	Row 85	\$ (157,356)
9	WNP-1 DEBT SVC	Row 84	\$ (215,301)
10	Expense Offset	Row 80	\$ (231,973)

- **Can you provide more detail about row #2 on slide 21?**
  - The \$25 million reflects an undistributed reduction of \$29.7 million assumed in the rate case and \$3.6 million resulting from the Regional Cooperation Debt program (RCD).
  - The \$29.7 million undistributed reduction was reduced by \$9.7 million to \$20 million at SOY. At SOY \$9.7 million was assigned. At the first quarter the remaining \$20 million was removed from the forecast, however, it was not assigned to specific programs instead BPA expects to recognize it throughout the year in underspending. As of Q1, \$2 million of the \$20 million was identified in the forecast primarily in forecast reductions to non-generation operations.
  - The \$3.6 million is the estimated net impact of the Regional Cooperation Debt extensions in FY 2016. These transactions were not assumed in rate case, but their net impact on non-Federal debt service, Federal interest, and MRNR that were estimated and included in this line. In actuals, the RCD transaction and corresponding appropriations payment impacts adjust naturally which eliminates the need for the \$3.6 million adjustment.

- **Of the \$139 million in decreased revenues projected for Power Services, I am interested in a breakdown of the contributions of following components identified in the presentation:**
  - **Secondary sales**
  - **Sales to PF customers**
  - **Gen Inputs Revenues**
  - **DSI sales**
  
- The breakdown End of Year Power revenue forecasts cannot be disclosed at this time since they are business and market sensitive. However, here is a list of the identified Power revenues in the order of magnitude towards the \$139 million decrease:
  1. Secondary Sales
  2. DSI Sales
  3. Sales to PF Customers
  4. Gen Input Sales

- **Of the \$61 million identified in increased expenses, my understanding is that approximately \$36 million is driven by increased power purchase expenses. What are the components of the remaining \$25 million projected increase in expenses?**
  - After backing out **\$375M** of non-federal debt service associated with refinancing regional cooperation debt, operating expenses are **\$61M** higher than budgeted at the SOY.
    - The single largest driver is the forecast increase of **\$55M** in Power Purchase Costs shown on row 13 of slide 13 in the February 2016 QBR package. This is due to lower streamflow's; the increase was offset partially by lower market prices.
    - Other income and adjustments reflects an increase of **\$20M** for the undistributed reduction which has not yet been realized.
    - Transmission acquisition and ancillary services partially offset the increase by **(\$9M)** due to below average water.
    - EE's reimbursable development program decreased **(\$5M)**, there's an offsetting revenue reduction.