INTEGRATED PROGRAM REVIEW

Kickoff – June 15, 2020
INTRODUCTIONS

Marcus Harris, ACTING MANAGER, FINANCIAL PLANNING AND ANALYSIS
<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
<th>Speaker</th>
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<tbody>
<tr>
<td>1:00 – 1:05</td>
<td>Introductions</td>
<td>Marcus Harris, Manager, Financial Planning &amp; Analysis</td>
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<tr>
<td>1:05 – 1:25</td>
<td>Strategic Landscape</td>
<td>John Hairston, Chief Operating Officer</td>
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<td>1:25 – 1:45</td>
<td>Program Plans – Putting the Strategic Plans into Action</td>
<td>Michelle Manary, Chief Financial Officer, Robin Furrer, Chief Administrative Officer</td>
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<td>1:45 – 2:05</td>
<td>Grid Modernization</td>
<td>Nita Zimmerman, Deputy Executive Vice President, Business Transformation Office</td>
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<td>2:05 – 2:35</td>
<td>Power Services</td>
<td>Joel Cook, Senior VP of Power Services</td>
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<td>2:35 – 3:05</td>
<td>Transmission Services</td>
<td>Richard Shaheen, Senior VP of Transmission Services</td>
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<td>3:05 – 3:25</td>
<td>Next Steps</td>
<td>Michelle Manary, Chief Financial Officer</td>
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<td>3:25 – 3:45</td>
<td>Question and Answer</td>
<td>Michelle Manary, Chief Financial Officer</td>
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Landscape before COVID-19

- CRSO EIS
- Bending the Curve
- Asset Management
- Grid Mod
Landscape after COVID-19

- CRSO EIS
- Grid Mod
- Customer ability to pay

- Bending the Curve
- Adverse economic trends
- Workforce impacts

- Asset Management
- Declining loads
- Project execution
BPA’s Near-Term Response

- Payment plans and contract flexibility
- Proposed suspension of financial reserves surcharge for the remainder of the BP-20 rate period
- Freeze in staffing levels
- Disciplined cost management
- Process flexibility
BPA’s Longer-Term Response

• Structural cost management initiatives
• Secondary revenue rate design
Sustaining BPA’s Financial Health

**SUSTAINING FINANCIAL HEALTH**

- **Net Revenue ($M)**
  - Good: $12
  - $44 to $110

- **IPR Cost Expenditure ($B)**
  - Good: $1.76
  - $1.77 to $1.75

- **Days Cash on Hand**
  - Good: 60+ days
  - 70 to 80 days

- **CAPEX ($M)**
  - Good: $299
  - $273

- **Debt to Asset Ratio**
  - Good: 82%

- **Treasury Borrowing ($B)**
  - Good: $1.5

*Reported in fourth quarter.

CVD-19 IMPACT

- Green
- Red
## BP-22 IPR Proposed Spending Levels

<table>
<thead>
<tr>
<th>($Millions)</th>
<th>BP-20 Average</th>
<th>BP-22 IPR Proposed Average</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>1,298.8</td>
<td>1,298.8</td>
<td>0.0</td>
</tr>
<tr>
<td>Transmission</td>
<td>489.8</td>
<td>514.5</td>
<td>24.7</td>
</tr>
<tr>
<td>Total</td>
<td>1,788.6</td>
<td>1,813.3</td>
<td>24.7</td>
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</table>
ENTERPRISE SERVICES and PROGRAM PLANS

Michelle Manary, CHIEF FINANCIAL OFFICER
A PROGRAM PLAN VIEW

- Validate Alignment

Progress Reporting (quarterly)

Stakeholder Engagement & Input

Strategic Plan & Financial Plan (5-10 yr view)

Operating Plans (2 yr view)

Program Plans (2 yr view)

Business Plans (5 yr view)

(P) Operating Plan
- Asset Management Program Plan
- Commercial Activities Program Plan
- Operations Program Plan

(T) Operating Plan
- Asset Management Program Plan
- Commercial Activities Program Plan
- Operations Program Plan

Environment Fish & Wildlife Plan

Enterprise Services Program Plan (ESPP)
A PROGRAM PLAN VIEW

Power Services

Transmission Services

- Asset Management: 75%
- Operations: 13%

- Asset Management: 56%
- Operations: 13%

- Commercial Activities: 11%
- Enterprise Services G&A: 7%

- Commercial Activities: 11%
- Enterprise Services G&A: 7%

- Enterprise Services G&A: 20%
- Operations: 7%

- Enterprise Services G&A: 20%
Enterprise Services is proposing increasing costs by $10 million compared to BP-20.

- Enterprise Services comprises all the Corporate organizations as well as the CAO office and Information Technology.
- IT costs are increasing by $17 million
- Corporate and CAO are reducing costs to absorb some of the IT cost increase
- The remainder of the increase will be absorbed in Power and Transmission
Enterprise Services FY 2022-23 AVERAGE

<table>
<thead>
<tr>
<th></th>
<th>FY2020-21 Average</th>
<th>FY2022-23 Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$302 Million</td>
<td>$312 Million</td>
</tr>
</tbody>
</table>

- **Chief Administrative Office**: 40%
- **Information Technology**: 32%
- **Executive Office**: 4%
- **General Counsel**: 4%
- **Chief Operating Office**: 4%
- **Deputy Administrator Office**: 4%
- **Finance**: 5%
- **Compliance & Risk Management**: 6%
- **Business Transformation Office**: 5%
The amounts in this chart are included in the Power and Transmission program totals and are not additive to the total agency spending proposal.
CHIEF ADMINISTRATIVE OFFICE
Robin Furrer, CHIEF ADMINISTRATIVE OFFICER
Spending levels are consistent with the BP20, with the exception of Information Technology with an average proposed increase of $17 million per year.

• The Chief Administrative Office (CAO) proposes an increase in its BP-22 Initial IPR spending levels compared to the BP-20 rate case, related to Information Technology.

• The CAO held relatively flat within its other organizations to minimize the rising costs of IT.

• The CAO reduced costs and was able to absorb inflation by managing levels of supplemental labor and federal labor through attrition.
CAO FY 2022-23 AVERAGE

<table>
<thead>
<tr>
<th>FY2020-21 Average</th>
<th>FY2022-23 Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>$211 Million</td>
<td>$225 Million</td>
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</table>
The amounts in this chart are included in the Power and Transmission program totals and are not additive to the total agency spending proposal.
GRID MODERNIZATION

Nita Zimmerman, DEPUTY EXECUTIVE VICE PRESIDENT, BUSINESS TRANSFORMATION OFFICE
GRID MOD
35+ PROJECTS ACROSS BPA

1. Support a More Reliable, Efficient and Effective System
2. Reduce Future Costs
3. Create New Market Opportunities

AUTOMATION
IMPROVED ACCURACY
ENHANCED VISIBILITY
• BP-22 is the last rate period of incremental spending for the Grid Modernization Key Strategic Initiative.

• Incremental spending remains flat at $25 million, equal to spending levels in BP-18 and BP-20.
  – Spending will be split $12.5 million between FY 2022 and FY 2023.
POWER SERVICES

Joel Cook, SENIOR VICE PRESIDENT OF POWER SERVICES
Power Services - Bending the Cost Curve
Average annual program costs in billions of dollars

- Rate period average annual budget
- BP-18 average annual budget with inflation
Composition of the BP-22 Power Revenue Requirement

- IPR Costs: 49%
- Capital Related Costs: 31%
- Non-IPR Costs: 20%
Strategic Context: Competitiveness

#1 Strengthen Financial Health
Cost Management
Cost Structure

#2 Modernize Assets & System Operations
Invest in revenue producing assets
Modernizing systems & processes

#3 Provide Competitive Power Products & Services
Identify new sources of revenue
BONNEVILLE POWER ADMINISTRATION

Power Revenue Requirement

- IPR Costs: 49%
- Capital Related Costs: 31%
- Non-IPR Costs: 20%

IPR Costs
- Generating Assets: 54%
- Fish & Wildlife / Lower Snake: 21%
- Energy Efficiency: 9%
- Renewables: 2%
- Council: 1%
- Internal Support: 13%

Comparative Costs:
- BP-20 RC: 1.29
- IPR '22: 1.29
Cost Pressures & Risks

- Fed Hydro O&M
- Columbia Generating Station O&M
- Energy Efficiency
- Fish and Wildlife
- Internal Costs
### 50-Year Investment Forecast

<table>
<thead>
<tr>
<th>Strategic Class</th>
<th>% of FCRPS</th>
<th>% of 50-Year Capital Forecast</th>
<th>% of 50-Year Expense Forecast</th>
<th>50-Year Cost of Generation ($/MWh)</th>
<th>50-Year Fully Loaded Cost ($/MWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Stem Columbia</td>
<td>77%</td>
<td>61%</td>
<td>64%</td>
<td>$7.54</td>
<td>$19.04</td>
</tr>
<tr>
<td>Lower Snake</td>
<td>12%</td>
<td>15%</td>
<td>14%</td>
<td>$12.13</td>
<td>$29.80</td>
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<tr>
<td>Headwater</td>
<td>6%</td>
<td>8%</td>
<td>8%</td>
<td>$11.76</td>
<td>$23.56</td>
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<tr>
<td>Area Support</td>
<td>4%</td>
<td>11%</td>
<td>10%</td>
<td>$30.07</td>
<td>$45.52</td>
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<tr>
<td>Local Support</td>
<td>1%</td>
<td>5%</td>
<td>4%</td>
<td>$42.48</td>
<td>$56.06</td>
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<tr>
<td>FCRPS</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>$9.56</td>
<td>$22.00</td>
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#### Graphical Representation

- **Main Stem Columbia**
- **Headwater**
- **Lower Snake**
- **Area Support**
- **Local Support**

**50-Year Capital Program Forecast by Plant (2020-2069)**

![Graph showing capital program forecast by plant](image-url)
TRANSMISSION SERVICES

Richard Shaheen, SENIOR VICE PRESIDENT OF TRANSMISSION SERVICES
Transmission Services proposes to hold IPR costs at the rate of inflation with an increase of $25 million a year compared to BP-20 rate case.

• Transmission Services is committed to BPA’s cost-management objective.

• Expenses are prioritized to support safety, compliance and market transformation activities, as well as to modernize assets.

• Capital spending is set to achieve safety and high reliability, availability and adequacy standards, and to maximize economic value to the region.
FY 2022-23 AVERAGE - Expense

<table>
<thead>
<tr>
<th></th>
<th>FY2020-21 Average</th>
<th>FY2022-23 Average</th>
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<tbody>
<tr>
<td>Total</td>
<td>$490 Million</td>
<td>$514 Million</td>
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- Asset Management: 56%
- Enterprise Services G&A: 20%
- Operations: 13%
- Commercial Activities: 11%
- Enterprise Services G&A: 20%
IPR FY 2022-23 Average - Capital

<table>
<thead>
<tr>
<th></th>
<th>FY2020-21 Average</th>
<th>FY2022-23 Average</th>
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</thead>
<tbody>
<tr>
<td>Total</td>
<td>$522 Million</td>
<td>$596 Million</td>
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- Transmission Asset Category: 54%
- Other Asset Categories: 19%
- PFIA: 8%
- Loadings: 17%
- AFUDC: 2%
PRIORITIES

#1 STRENGTHEN FINANCIAL HEALTH
- Cost Management

#2 MODERNIZE ASSETS & SYSTEM OPERATIONS
- Asset Management
  Modernizing systems & processes

#4 MEET TRANSMISSION
- Customer Responsiveness
NEXT STEPS
Michelle Manary, CHIEF FINANCIAL OFFICER
• **June 12**
  - BP-22 IPR initial publication released with summary and detailed documents

• **June 15 – June 17**
  - Kickoff and individual program workshops

• **June 15 – July 15**
  - Opportunity to comment on expense and capital spending proposals for FY 2022 and 2023

• **Late September**
  - BP-22 IPR closeout report published with final spending levels
<table>
<thead>
<tr>
<th><strong>MONDAY JUNE 15</strong></th>
<th><strong>TUESDAY JUNE 16</strong></th>
<th><strong>WEDNESDAY JUNE 17</strong></th>
<th><strong>THURSDAY JULY 15</strong></th>
<th><strong>FALL 2020</strong></th>
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<td><strong>1:00- 4:00 PM</strong></td>
<td>9:00 AM - Noon</td>
<td>9:00 AM</td>
<td>Close of IPR</td>
<td>Release of IPR</td>
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<tr>
<td><strong>Kickoff</strong></td>
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<td>Federal Hydropower</td>
<td>Public Comment</td>
<td>Close-Out</td>
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<td>Expense &amp; Capital</td>
<td>Expense &amp; Capital</td>
<td>Period</td>
<td>Letter and</td>
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<td>11:00 AM - Noon</td>
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<td>Grid Modernization</td>
<td>Columbia Generating</td>
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<td>F&amp;W Expense &amp; Capital</td>
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SUBMITTING COMMENTS

- Comment period open June 15 – July 15
- Comments can be submitted:
  - Online at www.bpa.gov/comment.
  - By mail to BPA, P.O. Box 14428, Portland, OR 97293
QUESTION AND ANSWER
BP-22 IPR Initial Publication is available at www.bpa.gov/goto/IPR.

Questions?
Send questions to BPAFinance@bpa.gov. Answers will be posted to www.bpa.gov/goto/IPR.
This information was publicly available on June 12, 2020, and contains information not sourced directly from BPA financial statements.