

MAY 18 QUARTERLY BUSINESS REVIEW FOLLOW UP

Q. Carol Opatrny (POWEREX): Transmission NR, Slide 7, row 3, please explain in a bit more detail row 3 (inter-business unit revenues) and why that is lower than forecast?

A. Inter-business unit revenues are those Transmission Services (TS) forecast to be purchased by BPA Power Services (PS), and Q2 is about \$15 million lower than the rate case forecast due to:

- \$9.4 million due to: 1) an error in the Short Term model where the sales volumes are allocated to customers forecasted to use the service, with 80% allocated to BPA PS in the Rate Case forecast. This was detected and fixed in the FY21 Q2 forecast where 53% is allocated; and (2) lower than normal hydro conditions.
- \$2.9 million due to Network Point-to-Point long term service where a Canadian Entitlement contract reservation capacity decreased.
- \$2.3 million due to Systems, Schedule, Control & Dispatch (SCD) associated with the reductions in long term and short-term point-to-point service.

B O N N E V I L L E P O W E R A D M I N I S T R A T I O N			
Report ID: 0123FY21 Requesting B/L: Transmission Business Unit Unit of Measure: \$ Thousands		Data Source: PFMS Run Date/Time: April 28, 2021 / 03:07 % of Year Elapsed = 50%	
	FY 2021		FY 2021
	Rate Case	Current EOY Forecast	Current EOY Forecast - Rate Case
Operating Revenues			
1 Sales	\$ 955,325	\$ 957,752	\$ 2,427
2 Other Revenues	45,898	41,434	(4,465)
3 Inter-Business Unit Revenues	119,374	103,992	(15,382)
4 Total Operating Revenues	1,120,597	1,103,178	(17,420)
Operating Expenses			
Integrated Program Review Programs			
5 Asset Management	268,795	273,602	4,708
6 Operations	71,150	68,807	(2,343)
7 Commercial Activities	57,136	56,312	(824)
8 Enterprise Services G&A	93,884	105,633	11,749
9 Undistributed Reduction	-	-	-
10 Other Income, Expenses and Adjustments	-	1,875	1,875
11 Sub-Total Integrated Program Review Operating Expenses	490,965	506,130	15,165
Operating Expenses			
Non-Integrated Program Review Programs			
12 Commercial Activities	131,854	129,603	(2,251)
13 Other Income, Expenses and Adjustments	-	0	0
14 Depreciation & Amortization	348,148	342,090	(6,058)
15 Sub-Total Non-Integrated Program Review Operating Expenses	480,002	471,693	(8,309)
16 Total Operating Expenses	970,967	977,823	6,856
17 Net Operating Revenues (Expenses)	149,630	125,354	(24,276)
Interest expense and other income, net			
18 Interest Expense	199,938	156,136	(43,802)
19 AFUDC	(14,635)	(14,600)	35
20 Interest Income	(4,568)	(1,509)	3,059
21 Other income, net	-	667	667
22 Total interest expense and other income, net	180,735	140,694	(40,041)
23 Total Expenses	1,151,702	1,118,517	(33,185)
24 Net Revenues (Expenses)	\$ (31,105)	\$ (15,340)	\$ 15,765

<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

Q. Marie Morrison (Snohomish PUD): Can you provide more detail on the drivers for the forecast Slice True Up charge?

A. The current Q2 Slice True-up forecast is a charge to the customers, however, there is quite a bit of variability going forward due to spring runoff, loads, spending, etc. The Q2 Slice True-up forecast includes the following drivers:

- Due to underspending in FY20, COE and BOR expenses have been carried over to FY21. The underspending in FY20 resulted in an increase to the customer credit last year.
- NTSA and STLA expenses are currently \$26 million (compared to a \$7.2 million credit in the final FY20 true-up), this will vary depending on BPA and BCH activity throughout the remainder of the fiscal year.
- A mismatch between the rate case and actuals for the treatment of a portion of nonfederal interest expense has resulted in FY21 nonfederal interest expense being about \$70 million higher than forecast in the BP-20 Rate Case; this increase is non-cash.
 - The mismatch is driven by an accounting change adopted in FY20 for financial reporting, but which was not fully connected for BP-20 RCD2 treatment.
 - BP-20 assumed the premiums extended as part of RCD2 would be netted against interest expense, but with the accounting change, for financial reporting interest expense is reported on the income statement, regardless of how it is paid.
 - Due the accounting change, these expenses are now being forecasted in the Slice Composite Cost Pool Table. This accounting change and subsequent expenses are included in the BP-22 Rate Case.
 - This was discussed at the Q1 FY21 Quarterly Business Review, pp 3-8. Found at: www.bpa.gov/Finance/FinancialPublicProcesses/QuarterlyBusinessReview/qbrdocs/FY21%20Q1%20QBR%20Technical%20Workshop%202.23.pdf
- An error occurred in the Other Income, Expenses, Adjustments in Q1. The data in the Rate Case column was missing, this has been corrected in Q2.
- BP-20 assumed WNP 1&4 decommissioning work was completed in BP-20, forecasting excess funds of ~\$20 million in the WNP 1&4 Decommissioning Trust coming to BPA in FY21, and recorded as a gain on the income statement. The decommissioning work is not complete, therefore no cash will flow to BPA in FY21; the WNP 1&4 gain is non-cash.

Q. Fred Heutte (NW Energy Coalition): At a previous EIM workshop there was mention of a potential initiative called "SPP Markets+". What is the status of that proposal and how does it relate to BPA's EIM development process? When will there be more detailed discussion on that?

A. SPP has made public statements recently that they are delaying work on a markets proposal for the west due to their work on weather events from this past winter. At this time, BPA does not have an estimate for when they may pick the work back up. BPA remains open to exploring any future market development opportunities with the region. Exploration of other market proposals does not have an impact on BPA's EIM process – a decision to join the EIM does not preclude the potential to explore other market opportunities.

Q. Mike Deen (Public Power Council): What is the vintage of market price and hydrological data supporting the Q2 financial forecasts presented in the technical workshop?

A. For Q2 the Volume study used was Study 16, which had the January – July volumes at The Dalles Dam at 91 MAF.