

# Q2 Quarterly Business Review Technical Workshop

May 17, 2022

2:00 p.m. – 4:00 p.m.

WebEx:

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STRENGTHEN  
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# Agenda

Time	Min	Agenda Topic	Presenter
2:00	10	Introduction and safety moment	Will Rector
2:10	60	FY22 Q2 Results: Including Income Statement, Capital, and Reserves	Mario Molina, Ben Agre, Manny Holowatz, Gwen Resendes, Kyle Hardy, Mike Miller, Dean Freel, Michelle Cathcart, Nadine Coseo, Damen Bleiler, Zach Mandell
3:10	10	Strategic Cost Management Update	Will Rector
3:20	15	Grid Modernization Update	John Nguyen
3:35	15	Question & Answer	Will Rector

## **FY22 Q2 Results: Including Income Statement, Capital and Reserves**

**Presenters: Mario Molina, Ben Agre, Manny Holowatz, Gwen Resendes, Kyle Hardy, Mike Miller, Dean Freel, Michelle Cathcart, Nadine Coseo, Damen Bleiler, Zach Mandell**

Report ID: 0121FY22	<b>QBR Forecast Analysis: Power Services</b>	Data Source: PFMS
Requesting BL: POWER BUSINESS UNIT	<b>Program Plan View</b>	Run Date/Time: April 26, 2022 / 03:02
Unit of measure: \$ Thousands	Through the Month Ended March 31, 2022	% of Year E lapsed = 50%
	Preliminary / Unaudited	

		A	B	C
		FY 2022		FY 2022
		Rate Case	Current E OY Forecast	Current E OY Forecast - Rate Case
<b>Operating Revenues</b>				
1	Gross Sales (excluding bookout adjustment)	\$ 2,557,504	\$ 2,968,106	\$ 410,602
2	Bookout Adjustment to Sales	-	(25,662)	(25,662)
3	Other Revenues	32,173	32,764	592
4	Inter-Business Unit	104,113	106,885	2,771
5	U.S. Treasury Credits	98,771	94,600	(4,171)
6	<b>Total Operating Revenues</b>	<b>2,792,561</b>	<b>3,176,693</b>	<b>384,132</b>
<b>Operating Expenses</b>				
<b>Integrated Program Review Programs</b>				
7	Asset Management	979,404	975,996	(3,408)
8	Operations	140,380	133,782	(6,599)
9	Commercial Activities	94,842	97,719	2,878
10	Enterprise Services G&A	83,602	93,708	10,105
11	Undistributed Reduction	(2,971)	-	2,971
12	Other Income, Expenses & Adjustments (IPR O&M)	-	1,584	1,584
13	<b>Sub-Total Integrated Program Review Operating Expenses</b>	<b>1,295,257</b>	<b>1,302,788</b>	<b>7,532</b>
<b>Non-Integrated Program Review Programs</b>				
14	Asset Management	45,359	42,505	(2,854)
15	Operations	355,684	354,869	(816)
16	Commercial Activities	222,251	239,837	17,586
17	Other Income, Expenses & Adjustments (Non-IPR O&M)	-	(0)	(0)
18	Non-Federal Debt Service <Note 2	-	-	-
19	Depreciation, Amortization & Accretion	498,603	504,700	6,097
20	<b>Sub-Total Non-Integrated Program Review Operating Expenses</b>	<b>1,121,897</b>	<b>1,141,910</b>	<b>20,013</b>
21	<b>Total Operating Expenses</b>	<b>2,417,154</b>	<b>2,444,699</b>	<b>27,545</b>
22	<b>Net Operating Revenues (Expenses)</b>	<b>375,407</b>	<b>731,994</b>	<b>356,587</b>
<b>Interest expense and other income, net</b>				
23	Interest Expense	266,152	272,506	6,355
24	AFUDC	(11,005)	(13,060)	(2,055)
25	Interest Income	(1,514)	(1,624)	(110)
26	Other income, net	(13,256)	(12,212)	1,044
27	<b>Total interest expense and other income, net</b>	<b>240,377</b>	<b>245,610</b>	<b>5,233</b>
28	<b>Total Expenses</b>	<b>2,657,531</b>	<b>2,690,309</b>	<b>32,778</b>
28	<b>Net Revenues (Expenses)</b>	<b>\$ 135,030</b>	<b>\$ 486,384</b>	<b>\$ 351,354</b>

# Power Services QBR Analysis: FY22 Q2 Results

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

## Operating Revenues:

**Row 1 – Gross Sales:** \$411M higher due to the following:

- Priority Firm revenues: Higher Composite Revenues than rate case mainly due to higher loads. Due to variability in weather, Priority Firm revenues are also being driven up by higher Demand and Load Shaping Revenues.
  - The increase in PF revenues is partially offset by the Reserves Distribution Clause, which is paid out in December through the remainder of FY22 as a credit to customer bills.
- Trading Floor Sales are higher than rate case mainly due to higher than expected prices.
- The Slice True-up is forecasted to be a \$2M charge, which is a small offset to higher gross sales.

**Row 4 – Inter-Business Unit Revenues:** Generation Inputs are \$3M higher than rate case mainly due to a few forecasted items not included in the rate case.

**Row 5 – U.S. Treasury Credits:** Treasury Credits are \$5M lower than rate case due to lower predicted replacement power purchases.

## Integrated Program Review Operating Expenses:

**Row 7: Asset Management:** \$3.4M below rate case due to the Nuclear Electric Insurance Limited (NEIL) rebate Energy Northwest received at the end of March.

**Row 8 – Operations:** \$6.6M below rate case mainly due to a ~\$3M reduction in the Conservation Infrastructure program to better align with the firm fixed pricing that the Energy Efficiency program has negotiated. In addition, there are slight reductions in personnel cost and service contracts.

**Row 9 - Commercial Activities:** \$2.9M above rate case due to EE's Conservation Purchases program, which carried over ~\$5M budget from FY21 to FY22. This increase was partially offset by lower Enterprise Services direct charging into Power.

**Row 10 – Enterprise Services:** \$10M above rate case due to Enterprise Services organizations forecasting more costs in projects allocated to Power since the rate case. Main drivers include: Enterprise Services costs are rising from the new Chief Workforce and Strategy Office, which was not anticipated in the rate case. Also, there are expected increases to IT costs due to conference room retrofitting for hybrid meetings.

## Non-Integrated Program Review Operating Expenses:

**Row 14 – Asset Management:** Came in \$2.9M lower than rate case due to a lower Colville settlement payment based on actual FY21 Grand Coulee output. FY21 actual output from Grand Coulee was less than was forecast in rate case.

# Power Services QBR Analysis: FY22 Q2 Results

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

## Non-Integrated Program Review Operating Expenses(Continued)

**Row 16 – Commercial Activities:** are \$17.5M higher than rate case mainly due to \$114M higher Power purchases. The core drivers that are partially offsetting this increase is \$44M less in Tier 2 power purchases than were forecast in rate case because BPA is using the FCRPS to meet the Tier 2 load. Additionally, Transmission and Ancillary services expenses are forecast to be \$18M lower.

**Row 19 – Depreciation, Amortization & Accretion:** Amortization is \$6M above rate case due to placing more regulatory assets in service compared to rate case assumptions. Columbia River Fish Mitigation covers \$1.5M, Fish and Wildlife \$1M, Energy Northwest \$1M, and \$2.5M in other Non-Federal Debt.

**Row 23 - Interest Expense:** interest expense is \$6M higher due to the following:

- Fed Interest is ~4.4m higher primarily due to a higher appropriation balance outstanding compared to rate case expectations, as well as new federal bonds issued at higher rates than anticipated.
- Non-Federal interest expense is \$1.7M higher primarily due to Non-Federal bond transactions played out slightly different than rate case projections.

**Row 25 – Interest Income:** decreased interest income due to lower expected interest rates than modeled in the rate case.

**Row 24 – AFUDC (Allowance Funds Used During Construction):** The \$2M decrease is mainly due to higher credit because the AFUDC rate was higher than was forecast in rates.

**Row 28 – Total Net Revenues:** \$486 million, which is \$351 million greater than rate case. This increase is caused by higher expected operating revenues.

Report ID: 0123FY22	<b>QBR Forecast Analysis: Transmission Services</b>	Data Source: PFMS
Requesting BL: Transmission Business Unit	<b>Program Plan View</b>	Run Date/Time: April 26, 2022 / 03:05
Unit of Measure: \$ Thousands	Through the Month Ended March 31, 2022 Preliminary / Unaudited	% of Year Elapsed = 50%

		A	B	C
		FY 2022		FY 2022
		Rate Case	Current EOY Forecast	Current EOY Forecast - Rate Case
<b>Operating Revenues</b>				
1	Sales	\$ 991,201	\$ 1,046,411	\$ 55,209
2	Other Revenues	44,956	44,327	(629)
3	Inter-Business Unit Revenues	126,731	108,512	(18,219)
4	<b>Total Operating Revenues</b>	<b>1,162,889</b>	<b>1,199,250</b>	<b>36,361</b>
<b>Operating Expenses</b>				
<b>Integrated Program Review Programs</b>				
5	Asset Management	286,951	282,138	(4,813)
6	Operations	64,284	62,828	(1,456)
7	Commercial Activities	56,470	54,647	(1,822)
8	Enterprise Services G&A	103,195	117,288	14,092
9	Undistributed Reduction	-	-	-
10	Other Income, Expenses and Adjustments (IPR O&M)	-	4,251	4,251
11	<b>Sub-Total Integrated Program Review Operating Expenses</b>	<b>510,899</b>	<b>521,152</b>	<b>10,253</b>
<b>Operating Expenses Non-Integrated Program Review Programs</b>				
12	Commercial Activities	112,521	113,184	663
13	Other Income, Expenses and Adjustments (Non-IPR O&M)	-	()	()
14	Depreciation & Amortization	352,384	341,790	(10,594)
15	<b>Sub-Total Non-Integrated Program Review Operating Expenses</b>	<b>464,905</b>	<b>454,974</b>	<b>(9,931)</b>
16	<b>Total Operating Expenses</b>	<b>975,805</b>	<b>976,126</b>	<b>322</b>
17	<b>Net Operating Revenues (Expenses)</b>	<b>187,084</b>	<b>223,123</b>	<b>36,040</b>
<b>Interest expense and other income, net</b>				
18	Interest Expense	161,283	159,100	(2,182)
19	AFUDC	(15,937)	(15,500)	437
20	Interest Income	(3,135)	(1,673)	1,462
21	Other income, net	-	-	-
22	<b>Total interest expense and other income, net</b>	<b>142,210</b>	<b>141,927</b>	<b>(283)</b>
23	<b>Total Expenses</b>	<b>1,118,015</b>	<b>1,118,054</b>	<b>39</b>
24	<b>Net Revenues (Expenses)</b>	<b>\$ 44,873</b>	<b>\$ 81,196</b>	<b>\$ 36,323</b>

# Transmission Services QBR Analysis: FY22 Q2 Results

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

## Operating Revenues:

**Row 1 – Sales:** \$55 million above rate case primarily driven by increased Conditional Firm Long-term Point-to-Point, Network Short-term, Southern Intertie Short-term, Scheduling, System Control & Dispatch, and Network Integrated Transmission Service sales.

**Row 3 – Inter-Business Unit Revenues:** \$18 million below rate case primarily due to a forecast error in the BP-22/23 Rate Case which applied too many sales to Power Services. This is partially offset by an increase in Short-term sales.

## Integrated Program Review Operating Expenses:

**Row 5 – Asset Management:** \$5 million below rate case primarily driven by CAO reductions to support IT spending in other areas, offset partially by an increase resulting from a reprioritization in Transmission departmental program spending.

**Row 6 – Operations:** \$2 million below rate case due to shifts in Corporate departmental spending moving costs to Enterprise Services G&A as well as shifts in Transmission departmental spending to the Asset Management program.

**Row 7 – Commercial Activities:** \$2 million below rate case resulting from Transmission departmental spending shifting to the Asset Management program and Corporate departmental spending shifting to Enterprise Services G&A.

**Row 8 – Enterprise Services G&A:** \$14 million above rate case primarily driven by less direct charging than assumed in rate case, a termination of the direct support allocations, an increase in the Additional Post-Retirement Payment, increased funding for security and COVID testing, and an increase to fund the new Chief Workforce & Strategy Organization.

**Row 10 – Other Income, Expenses and Adjustments (IPR O&M):** \$4 million above rate case resulting from the Leave and Benefits True Up driven by a large balance of leave and benefits earned, but not yet taken, which are required to be accrued as a liability under accounting guidance.



# Transmission Services QBR Analysis: FY22 Q2 Results

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

## Non-Integrated Program Review Operating Expenses:

**Row 14 – Depreciation and Amortization:** \$11 million lower than rate case based on lower Transmission Capital and Plant-in-Service than forecast in the rate case, which is partially offset by increased Amortization expense resulting from the lease accounting transition in FY20.

**Row 18 – Interest Expense:** \$2 million lower than rate case primarily driven by the Lease Purchase takeout rate, which was about 1% lower on a transaction of ~\$300M resulting in ~2.5M less interest.

**Row 20 – Interest Income:** \$2 million lower than rate case as a result of rate case assuming a higher cash balance at the start of the fiscal year.

# Agency Capital Expenditures: FY22 Q2 Results

Thousands \$

	Rate Case	Current EOY Forecast	Forecast - Rate Case	Forecast/ Rate Case
<b>Transmission Business Unit</b>				
1	EXPAND/SUSTAIN	312,000	262,100	84%
2	PFIA	45,000	15,000	33%
3	SECURITY	8,000	8,000	100%
4	FLEET	10,000	9,640	96%
5	IT	8,000	1,899	24%
6	FACILITIES	53,200	49,150	92%
7	ENVIRONMENT	5,580	4,732	85%
8	LOADINGS	115,369	124,247	108%
9	<b>TOTAL Transmission Business Unit</b>	<b>557,149</b>	<b>474,769</b>	<b>85%</b>
<b>Power Business Unit</b>				
10	FED HYDRO	264,120	221,472	84%
11	F&W	43,000	22,500	52%
12	IT	4,300	1,555	36%
13	FACILITIES	-	650	-
14	AFUDC	10,823	13,000	120%
15	<b>TOTAL Power Business Unit</b>	<b>322,243</b>	<b>259,177</b>	<b>80%</b>
<b>Corporate Business Unit</b>				
16	IT	7,628	17,373	228%
17	AFUDC	182	0	0%
18	<b>TOTAL Corporate Business Unit</b>	<b>7,810</b>	<b>17,373</b>	<b>222%</b>
19	<b>Total BPA Capital Expenditures</b>	<b>887,202</b>	<b>751,319</b>	<b>85%</b>

# Agency Capital Expenditures: FY22 Q2 Results

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

## Transmission Business Unit

**Row 1 – Expand/Sustain:** \$50 million below rate case primarily due to concerns around supply chain and resourcing issues. Construction season has begun, so Transmission expects to update the forecast in Q3 to know how these issues will affect execution.

**Row 2 – PFIA:** \$30 million below rate case due to concerns around supply chain and resourcing issues. Similar to Row 1, the forecast will be updated in Q3.

**Row 5 – IT:** \$6 million below rate case due to focus on Corporate IT projects for Grid Mod, EIM, and Enterprise budgeting and forecasting.

**Rows 6 – Facilities:** \$4 million below rate case due to construction delays caused by underground utility issues on the Technical Services Building and delays in design services spending on the Vancouver Control Center project to align scope and budget.

**Row 8 – Loadings:** \$8.5 million above rate case due to higher transmission indirects.

## Power Business Unit

### **Row 10 – Fed Hydro:**

- Bureau of Reclamation: \$7 million below rate case due to delays in contracting work and supply chain issues delaying equipment and materials procurement.
- Army Corps of Engineers: \$35 million below rate case due to delays in contracting work and supply chain issues delaying equipment and materials procurement.

**Row 11 – Fish and Wildlife:** \$20.5 million below rate case due to delays in hatchery projects and land purchases.

**Row 12 – Power IT:** \$3 million below rate case due to focus on Corporate IT projects for Grid Mod, EIM, and Enterprise budgeting and forecasting.

**Row 14 – AFUDC:** \$2 million above rate case due to higher Construction In Progress balances compared to rate case assumptions.

## Corporate Business Unit

**Row 16 – Corporate IT projects:** \$10 million above rate case due to focus on Corporate IT projects including Grid Mod, EIM and Enterprise budgeting and forecasting projects. Across business units the agency IT budget is \$1 million above rate case mainly due to two projects qualifying for capital funding instead of expense.

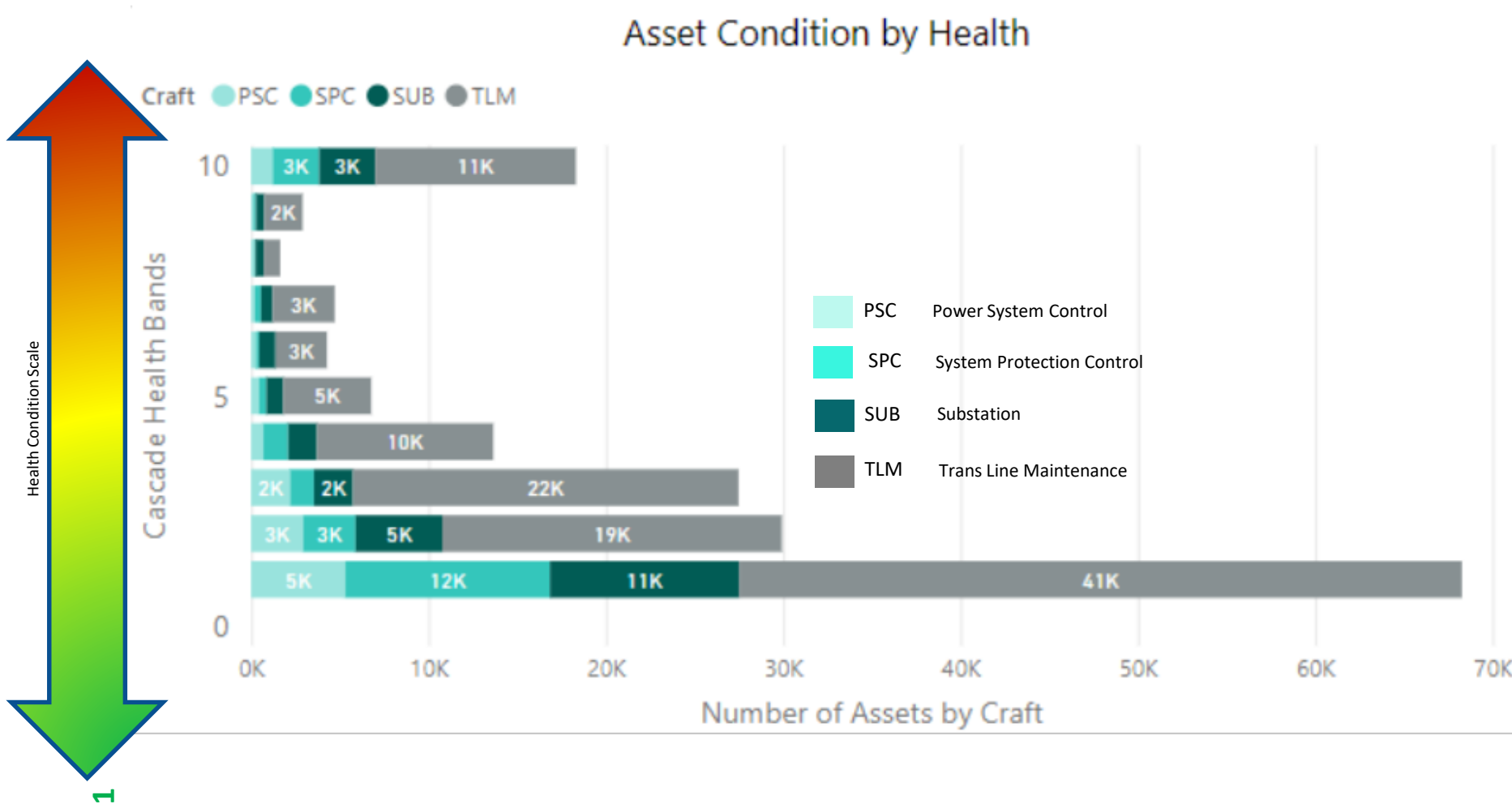
# Transmission Capital Metrics

Mike Miller, Dean Freel, Michelle Cathcart

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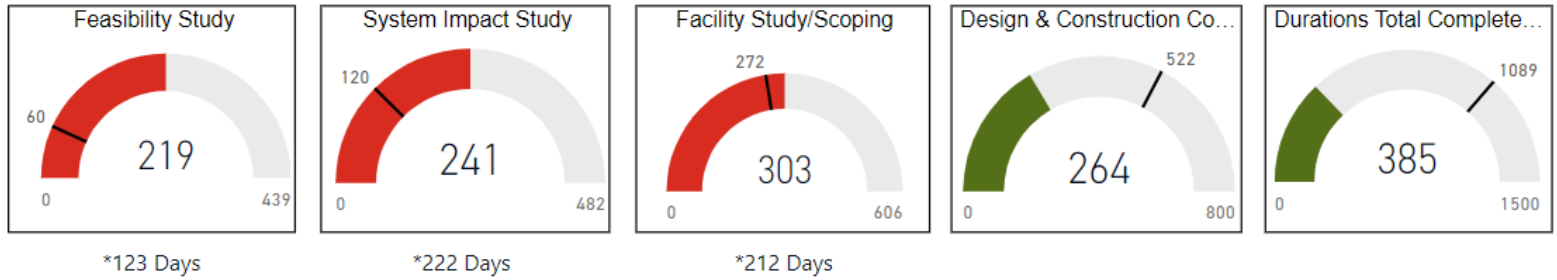
STRENGTHEN  
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# Asset Management Health Metric



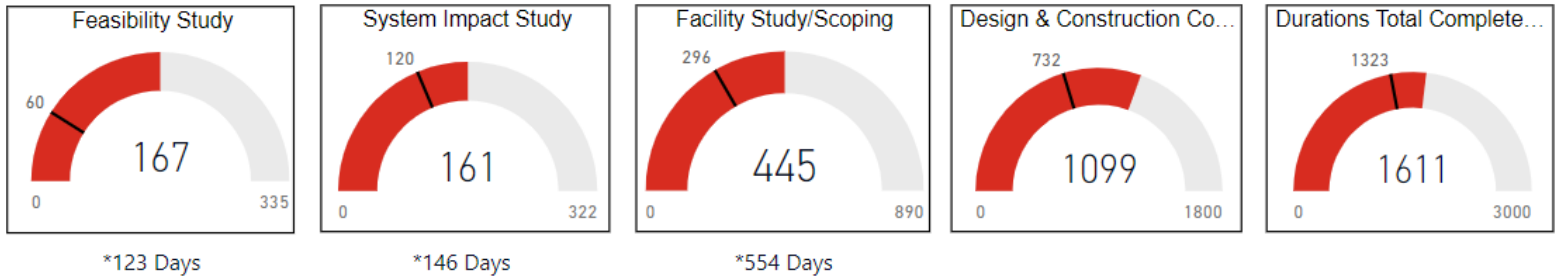
# Customer Duration Metric

**Small Projects:** Line tap, ratings upgrade, minor equipment or communications gear



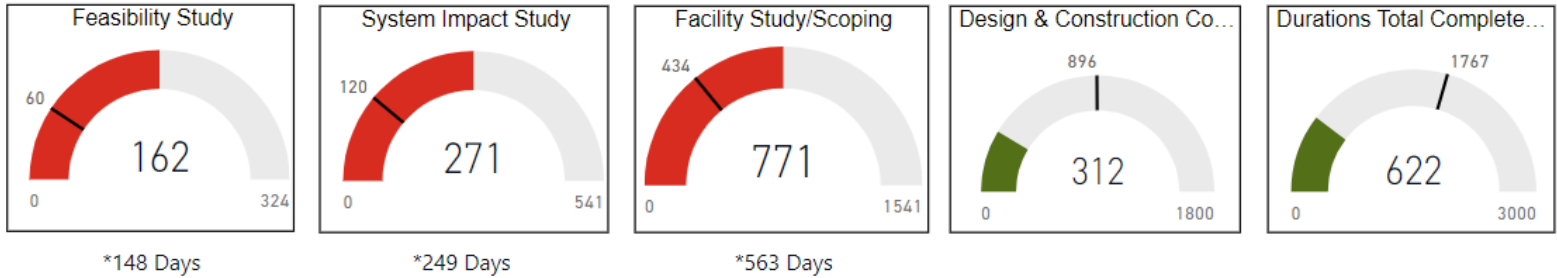
Includes LGI, LLI, SGI projects with a Queue date on or after 1/1/2016

**Medium Projects:** bay addition, breaker addition, line loop, transformer, disconnect - major equipment



Optimal performance is below the lines which denote the target ceiling levels.

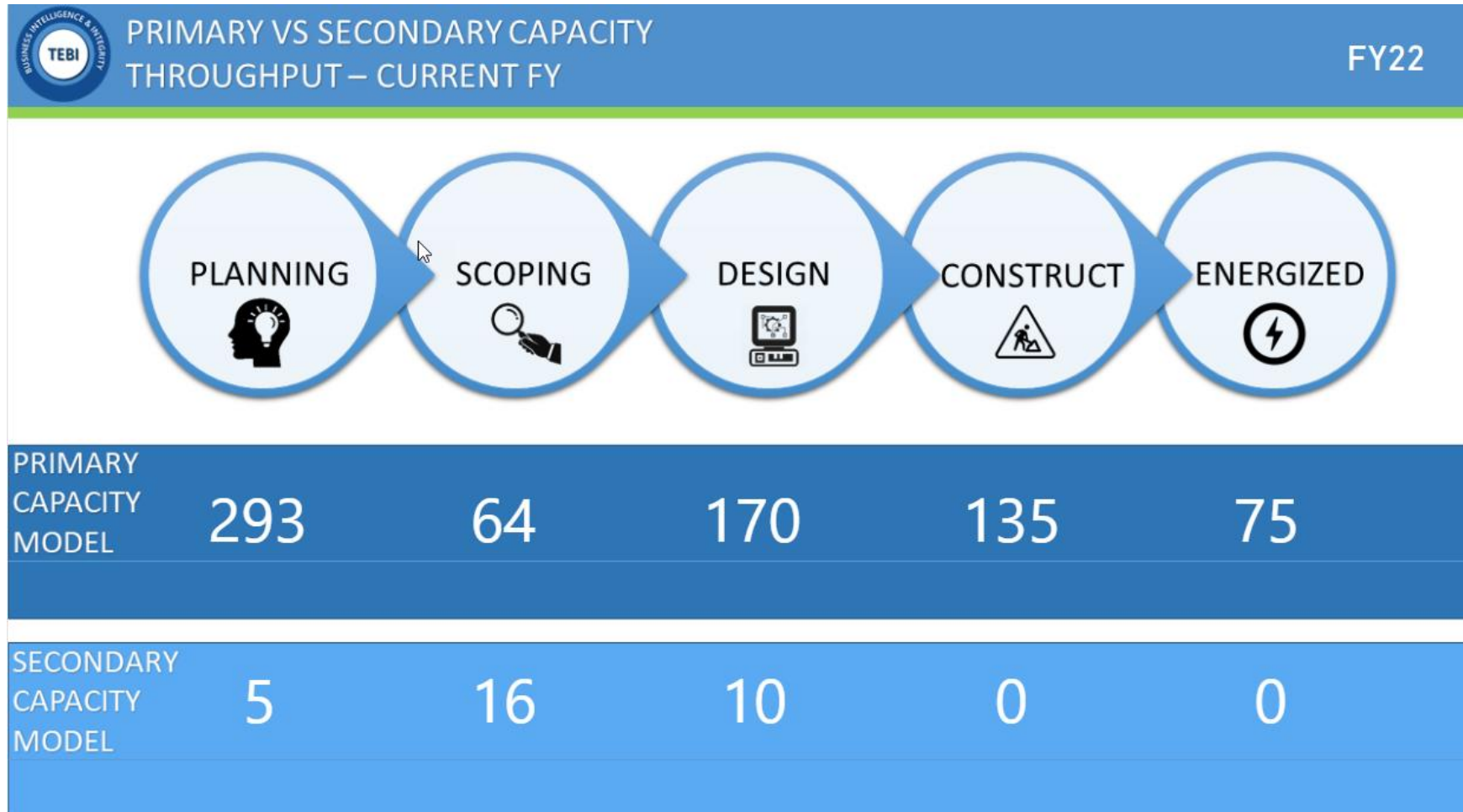
**Large Projects:** New substation, new line (BPA build), new line plus generation interconnection.



Includes LGI, LLI, SGI projects with a Queue date on or after 1/1/2016

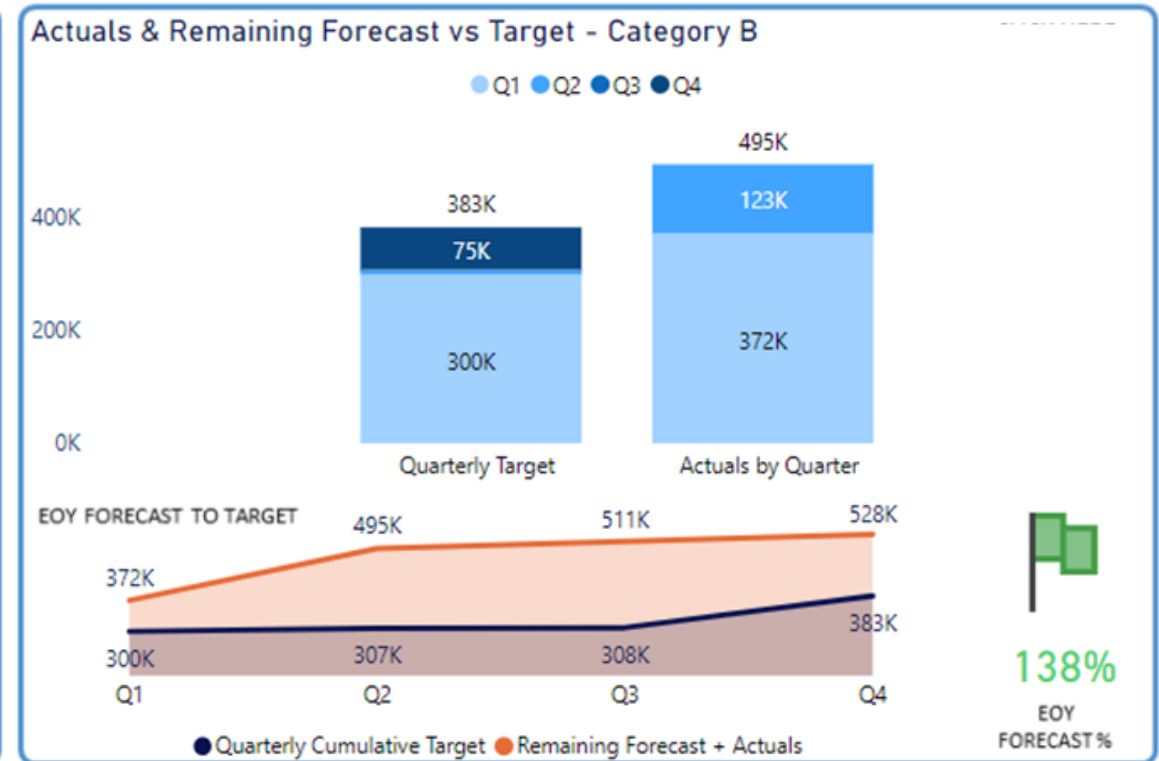
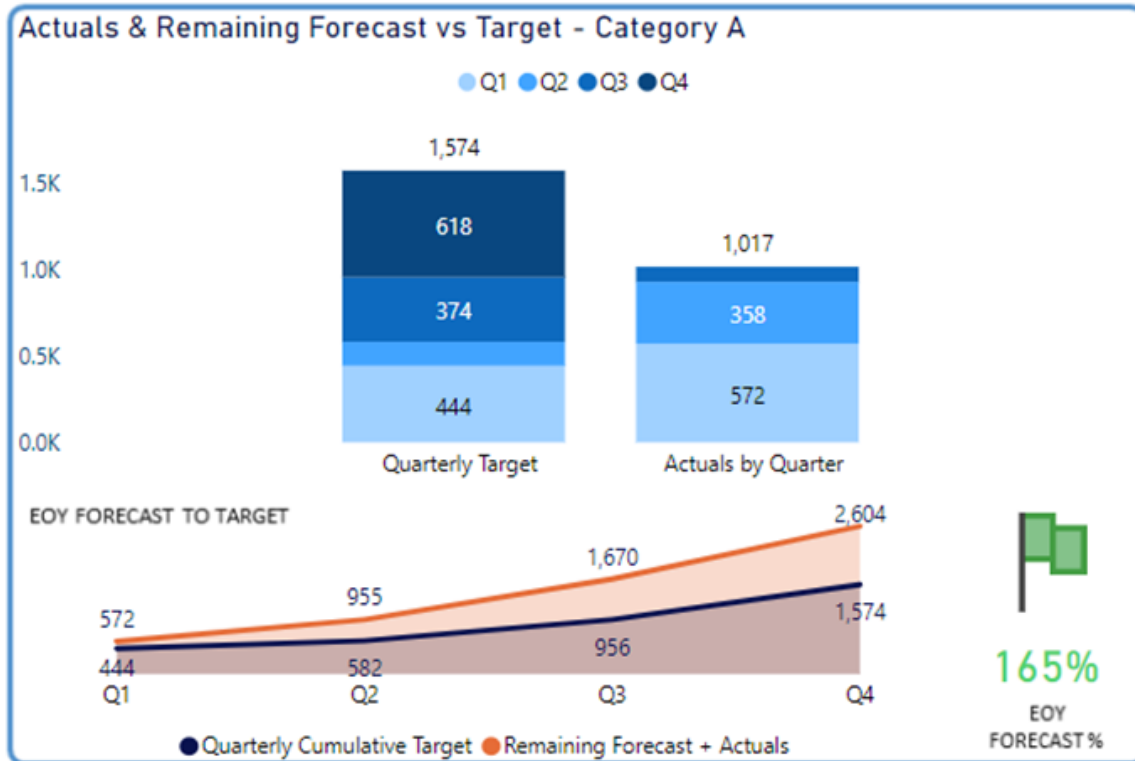
# Primary vs Secondary Capacity Throughput

Transmission as of FY22 Q2:



# Capital Assets Planned vs Completed

## Transmission as of FY22 Q2:

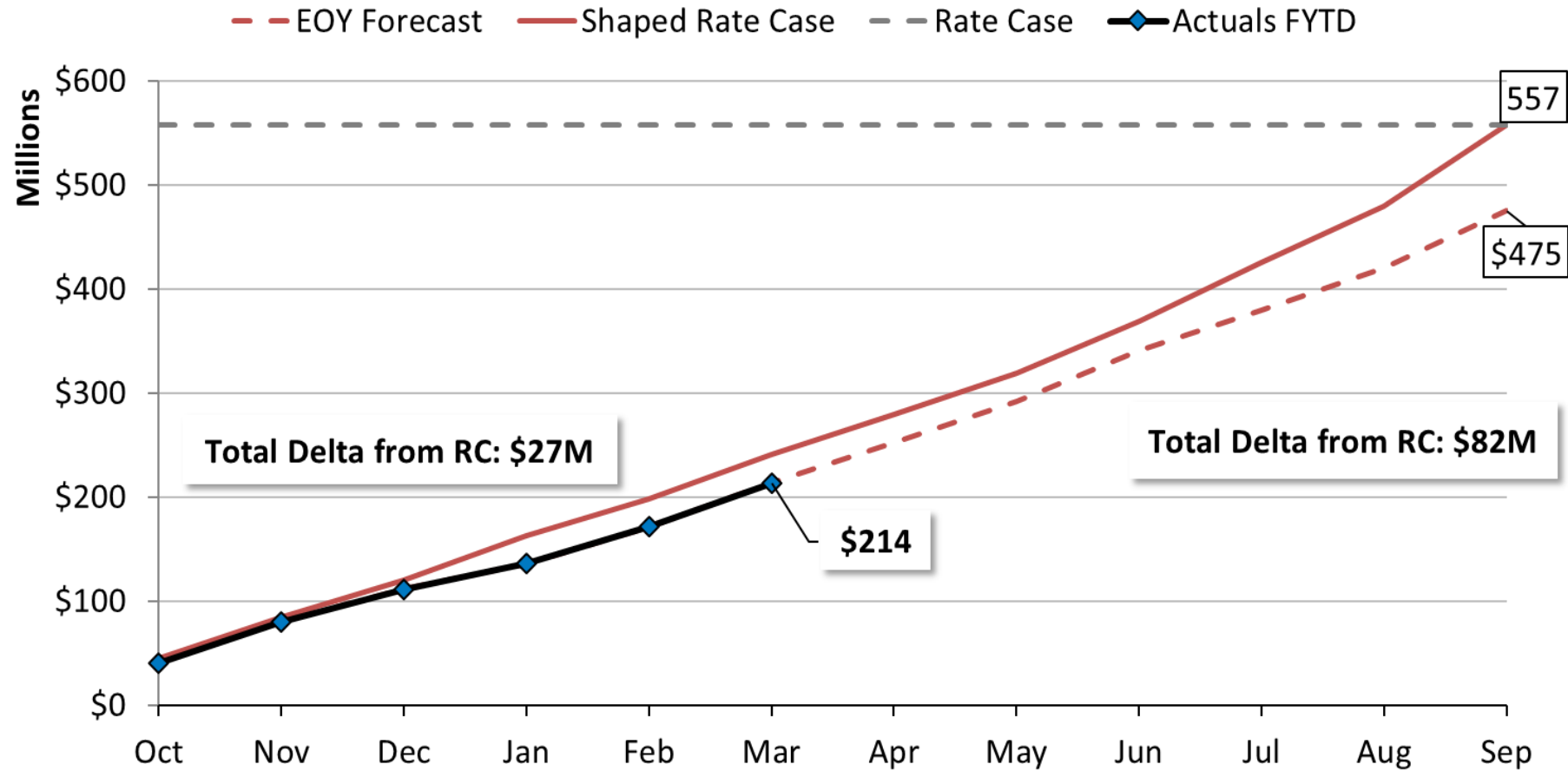


Ended Q2 at 160% of Category A assets complete and 161% of Category B assets complete against the quarterly target. Forecasting to meet or exceed end of year targets for both categories.



# Capital Spend

**FY22 Capital Spend: FYTD Actuals Variance from Rate Case**



# Vancouver Control Center (VCC) Update

	FY 2021				FY 2022				FY 2023				FY 2024				FY 2025				FY 2026				FY 2027				FY 2028				FY 2029			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Building					◆							★◆												◆												
Technology																																				

Legend				
Project Phase	Planning	Design	Construction	Activation
Stage Gates	0	3	4	

**Schedule Milestones:**

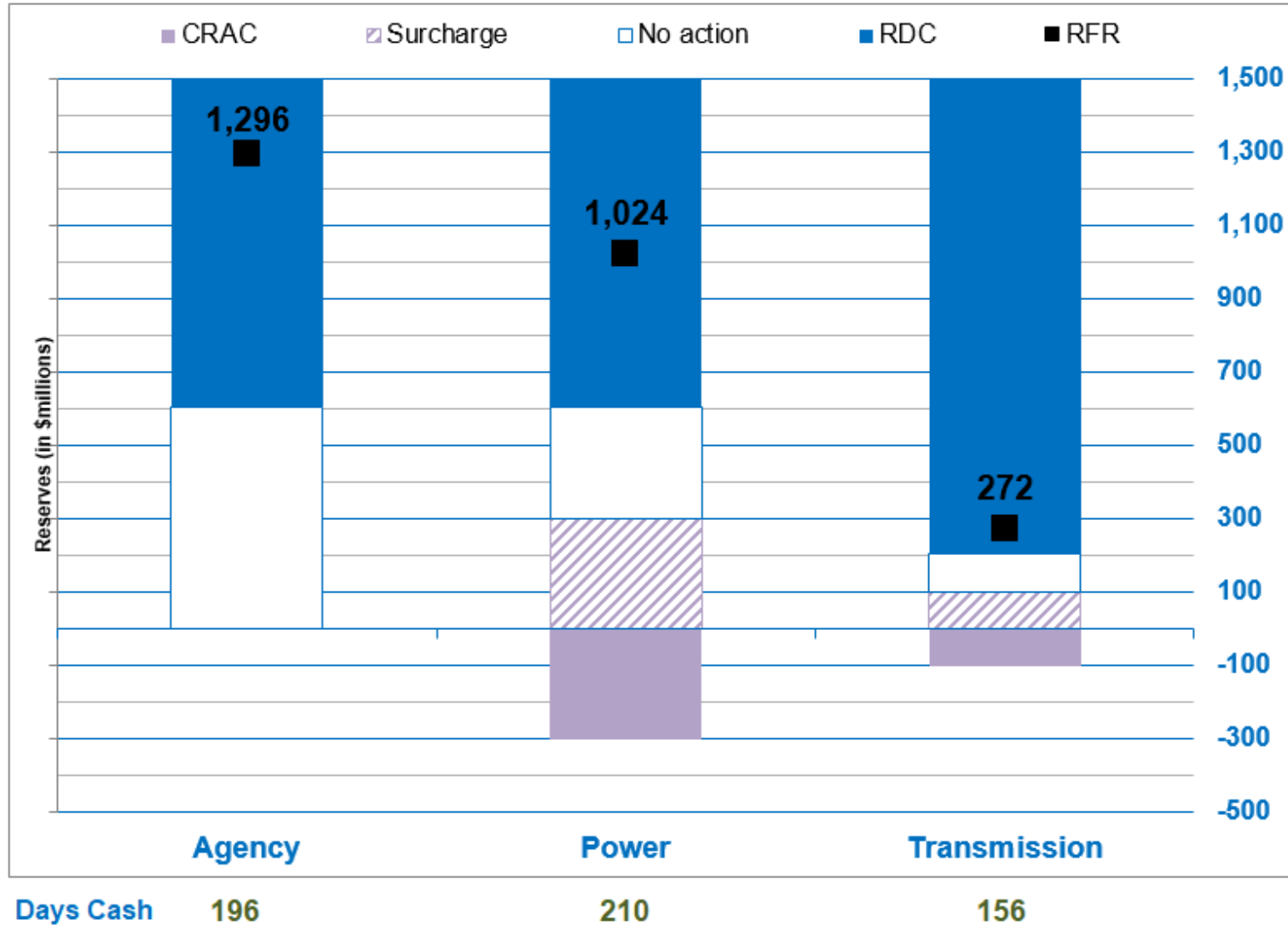
- ◆ Business Case Approval for Design
  - ★ 65% Design / Guaranteed Maximum Price from Progressive Design Builder
  - ◆ Business Case Approval for Construction or Off-Ramp
  - ◇ Building 'Occupancy' / Begin migration of functionality
- Overlap of design/construction phases is intended for efficiency and to optimize technology selection*

- No changes to report:
  - Approved stage gate: \$45M for design of the VCC
  - Next major milestone and last stage gate: Decision for construction in FY24
  - The forecast project completion is in FY29
- Recent updates and decisions being made are around security/resilience and not appropriate to discuss in public forums.

# **FY22 Q2 Reserves Results**

**Nadine Coseo, Damen Bleiler, Zach Mandell**

# FY 2022 Reserves for Risk\*



\* FRP, RDC, and Surcharge now trigger off of RFR. ACNR is no longer used.

# Q2 Crosswalk – Beginning Balance to EOY Forecast

	Power	Transmission
(\$ in 000)		
1 <b>RFR Beginning Balance</b>	\$616,655	\$208,727
2 FY22 Net Revenues	486,384	81,196
3 <b>Adjustments - Income Statement</b>		
4 Depreciation, Amortization, Accret.	504,700	341,790
5 Capitalization Adjustment	(45,937)	(18,968)
6 Other Non-Cash*	(22,746)	(36,604)
7 CGS Decom TF - Gains/Loss/Dividend	(12,212)	-
8 EN Cash Payments vs Accruals*	52,333	-
9 <b>Cash Flow - Balance Sheet</b>		
10 CSG Decom TF Contribution	(4,663)	-
11 Debt Payment	(512,065)	(300,272)
12 Revenue Financing	(40,000)	(40,000)
13 Change in RNFR	1,886	35,736
14 <b>FY22 EOY RFR Forecast</b>	<b><u>\$1,024,335</u></b>	<b><u>\$271,606</u></b>

- Forecasts incorporate key non-cash income statement items and balance sheet-related uses of cash.
- Other Non-Cash (line 6):
  - Power: relates to non-cash Power Prepay credits.
  - Transmission: relates to non-cash revenues/credits from LGIA, AC Intertie and Fiber agreements, and related non-cash interest expense.
- EN Cash Payments vs Accruals (line 8): reflects difference between accrued expenses (interest expense and O&M) and forecasted cash payments to Energy Northwest. Fiscal year timing differences and non-cash interest expense associated with RCD2 are main drivers.
- Note: Changes in AP, AR, and accrued revenues/expenses are not forecast in this model.

\* See bullets for further details

# Strategic Cost Management Update

## Will Rector

# Strategic Cost Management Context

- The BP-22 Integrated Program Review included an undistributed reduction of ~\$20 million.
- SCM short-term goal: Strategically evaluate and prioritize spending to the meet undistributed reduction and improve cost management discipline.
- SCM long term goal: Establish a methodology to improve BPA's cost-management discipline post FY22.
- SCM short term actions taken:
  - Analyzed historical cost trends.
  - Developed manual model to analyze cost functionalization to Power and Transmission revenue requirements.

# SCM Short Term Outcomes

- SCM short term actions were incorporated into FY22 budgets.
- SCM cost functionalization analytical tool was used in BP-24 IPR planning.
- SCM's long term goal was transitioned to a new initiative called Finance Modernization.



# SCM Key Learnings

- While SCM advanced BPA's financial analytical capabilities incrementally, BPA's maturity in this area is not sufficient for long-term needs.
- Other experiences such as the Financial Reserves Review in 2018-2019 reinforce the need for strategic, comprehensive transformation of the finance function at BPA.
- Investments are needed to modernize core Finance functions and its Enterprise Systems.

# Finance Modernization

The Finance Modernization program will strive for future-state outcomes that:

1. Prioritize simplicity over complexity.
2. Align with standard industry best practices.
3. Utilize enterprise systems wherever possible.

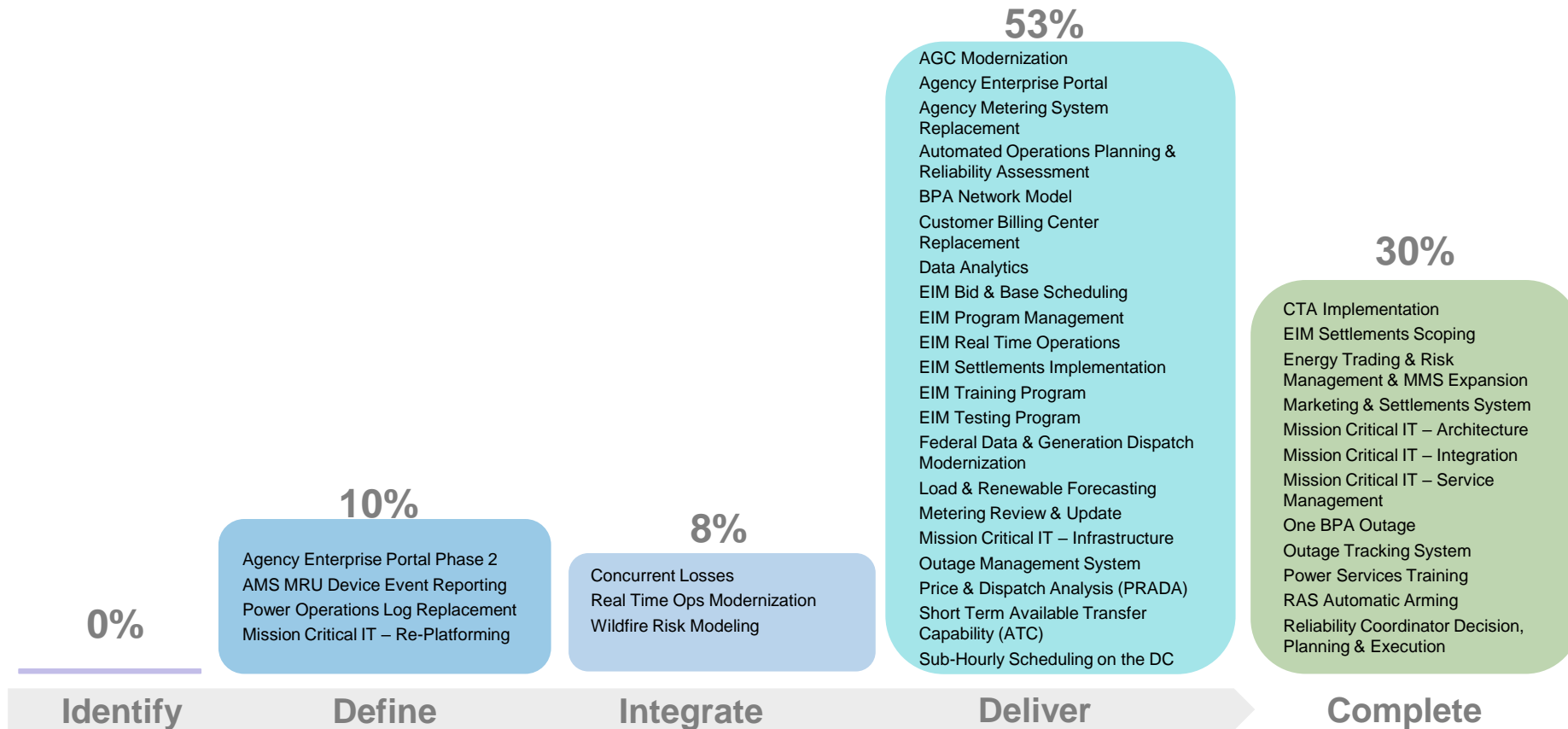
# Next Steps

- BPA's BP-24 IPR forecast will include funding for the scoping of a Finance Modernization program structure and data systems. Examples may include:
  - Systematize our data management
  - Develop balance sheets by business line
  - Modernization of budgeting and forecasting systems

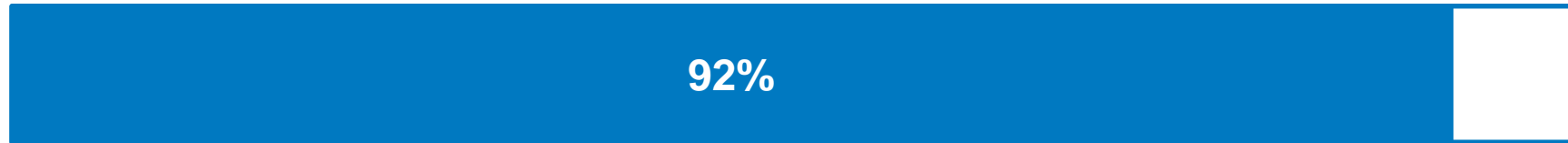
# Grid Modernization Update

## John Nguyen

# Grid Modernization Mobilization

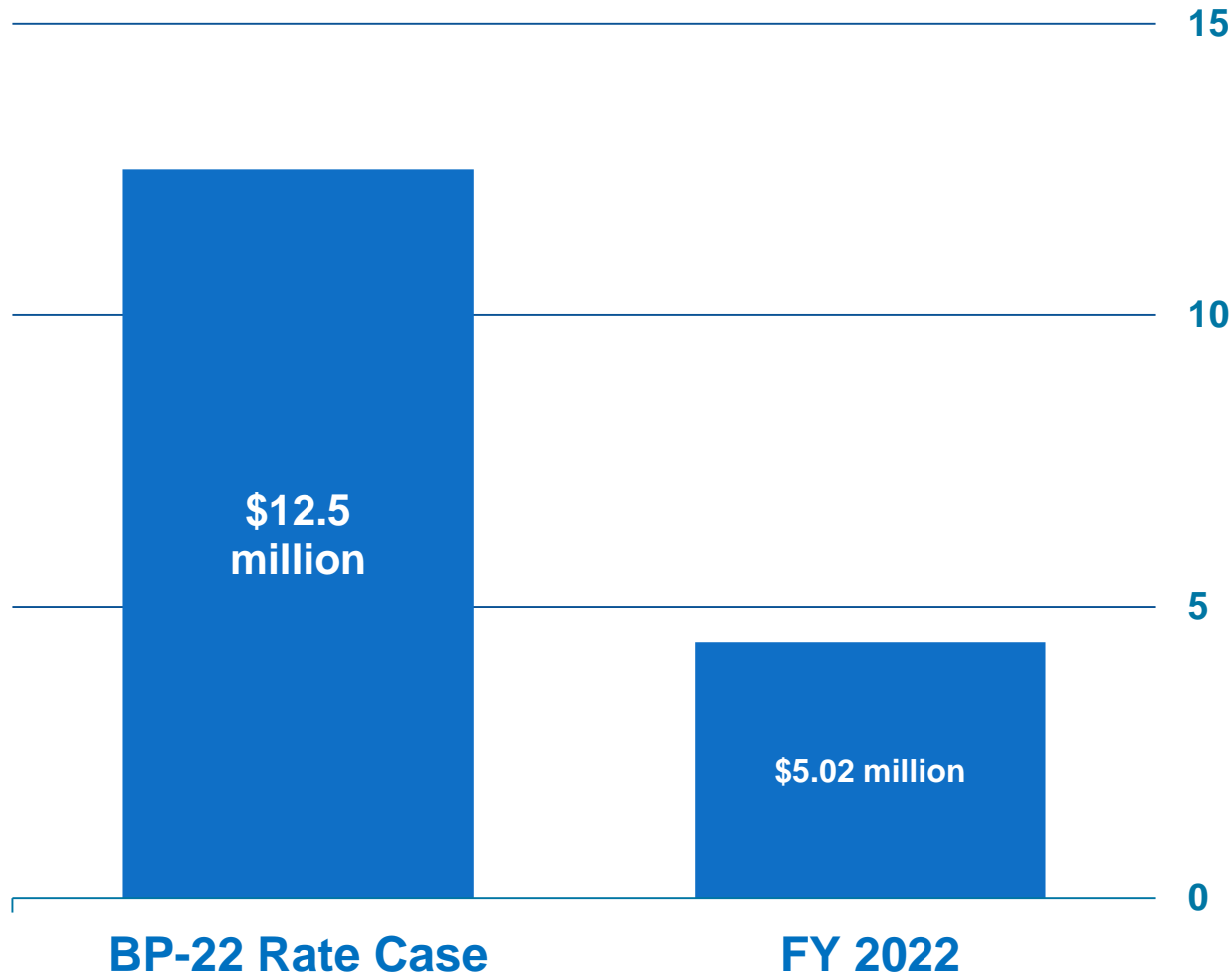


# Grid Modernization Progress Metric



- 92% of milestones for projects in deliver are complete or on track
- 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.
- The minimum to meet “green” for Q2 FY22 is 70%
- **Status: Green**

# Grid Mod FY 2022 Spending



- In Q2 FY22, BPA spent a total of \$5.02 million out of a total \$12.5 million BP-22 Rate Case budget

# EIM Update

- BPA went Live on May 3, 2022.
- BPA's participation in the Western EIM is an important first step for BPA, our customers and the region to address a changing industry and meet strategic goals of operational benefits and revenue opportunities from our federal power and transmission systems.
- Knowledge and experience from participating in the Western EIM will inform BPA's refinement of its systems and processes.
- BPA is committed to ensuring customers have continued support and information on BPA's EIM implementation beyond the May 3 go-live through topic-specific workshops, including a Settlements-focused workshop in May, the Quarterly Business Review and the BP-24 and TC-24 pre-proceeding workshops. See the [Event Calendar](#) for BPA's upcoming events, including public meetings and public comment periods.



# More Information

On grid modernization:

[www.bpa.gov/goto/gridmodernization](http://www.bpa.gov/goto/gridmodernization)

On EIM:

[www.bpa.gov/goto/eim](http://www.bpa.gov/goto/eim)

# Thank You

The next QBRTW will be held in  
**August 16, 2022**

**Didn't get your question answered?**  
Email [Communications@bpa.gov](mailto:Communications@bpa.gov). Answers will be  
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# Appendix

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

## Final True-Up of FY 2022 Slice True-Up Adjustment

	FY 2022 Forecast \$ in thousands
February 15, 2022 First Quarter Technical Workshop	\$7,145*
May 17, 2022 Second Quarter Technical Workshop	\$2,082*
August 16, 2022 Third Quarter Technical Workshop	
November 2022 Final Slice True-Up Technical Workshop	

\*Negative = Credit; Positive = Charge

## Summary of Differences From Final to FY22 (BP-20)

#		A	B
		Composite Cost Pool True-Up Table Reference	Q2 – Rate Case \$ in thousands
1	Total Expenses	Row 98	\$(11,264)
2	Total Revenue Credits	Rows 117 + 126	\$(10,343)
3	Minimum Required Net Revenue	Row 151	\$9,841
4	TOTAL Composite Cost Pool (1 - 2 + 3) \$(11,264) - \$(10,343) + \$(9,841) = \$8,919	Row 156	\$8,919
5	TOTAL in line 4 divided by <u>0.9581334</u> sum of TOCAs \$8,919/ <u>0.9581334</u> = \$9,309	Row 158	\$9,309
6	QTR Forecast of FY22 True-up Adjustment 22.36267 percent of Total in line 5 0.2236267 * \$9,309 = \$2,082	Row 159	\$2,082

## FY22 Impacts of Debt Management Actions

		A	B	C	D
<u>FY22 Impacts of Acceleration of Debt</u>					
#	Description	FY22 Q2 QBR	FY22 Rate Case	CCP	<u>Delta from the FY22 rate case</u>
1	MRNR Section of Composite Cost Pool Table				\$ -
2	<b>Principal Payment of Federal Debt</b>				\$ -
3	2022 Regional Cooperation Debt (RCD)	\$ 333,946,000	\$ 333,946,000		\$ -
4	2022 Debt Service Reassignment (DSR)	\$ 15,245,000	\$ 15,245,000		\$ -
5	Prepay	\$ -	\$ -		\$ -
6	Energy Northwest's Line Of Credit (LOC)	\$ -	\$ -		\$ -
7	Rate Case Scheduled Base Power Principal*	\$ 145,809,000	\$ 145,809,000		\$ -
8	<b>Total Principal Payment of Fed Debt</b>	\$ 495,000,000	\$ 495,000,000	row 129	\$ -
					\$ -
9	<b>Repayment of Non-Federal Obligations</b>	\$ -	\$ -	row 130	\$ -
					\$ -
10	<b>Non-Cash Expenses</b>	\$ 77,926,000	\$ 77,926,000	row 142	\$ -
11	<b>Nonfederal Bond Principal Payment</b>	\$ 16,005,150	\$ 16,005,150	row 131	\$ -

# Composite Cost Pool Interest Credit

Allocation of Interest Earned on the Bonneville Fund (\$ in thousands)		<u>Q2 2022</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	0.20%
5	Composite Interest Credit	(1,154)
6	Prepay Offset Credit	0
7	Total Interest Credit for Power Services	(1,624)
8	Non-Slice Interest Credit (Line 7 – (Line 5 + Line 6))	(470)

# Net Interest Expense in Slice True-Up Final

	FY22 Rate Case	Q2
	<u>(\$ in thousands)</u>	<u>(\$ in thousands)</u>
• Federal Appropriation	38,411	41,159
• Capitalization Adjustment	(45,937)	(45,937)
• Borrowings from US Treasury	44,753	46,994
• Prepay Interest Expense	7,854	7,854
• <b>Interest Expense</b>	<b>45,081</b>	<b>50,070</b>
• AFUDC	(11,005)	(13,060)
• Interest Income (composite)	(1,384)	(1,154)
• Prepay Offset Credit	(0)	(0)
• <b>Total Net Interest Expense</b>	<b>32,692</b>	<b>35,856</b>



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

Dates	Agenda
February 15, 2022	First Quarter Technical Workshop
May 17, 2022	Second Quarter Technical Workshop
August 16, 2022	Third Quarter Technical Workshop
October 2022	BPA External CPA firm conducting audit for fiscal year end
Mid-October 2022	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, 2022	Mail notification to Slice Customers of the Slice True-Up Adjustment for the Composite Cost Pool
November 18, 2022	BPA to post Composite Cost Pool True-Up Table containing actual values and the Slice True-Up Adjustment
November 2022	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, 2022	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, 2022	BPA posts a response to customer questions (Attachment A does not specify an exact date)
January 11, 2023	Customer comments are due on the list of tasks (The deadline can not exceed 10 days from BPA posting)
February 3, 2023	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				
		Q2 (\$000)	forecast for FY 2022 (\$000)	Q2- Rate Case Difference
1	<b>Operating Expenses</b>			
2	<b>Power System Generation Resources</b>			
3	<b>Operating Generation</b>			
4	COLUMBIA GENERATING STATION (WNP-2)	\$ 275,711	\$ 278,643	\$ (2,931)
5	BUREAU OF RECLAMATION	\$ 152,269	\$ 152,269	\$ (0)
6	CORPS OF ENGINEERS	\$ 252,689	\$ 252,557	\$ 132
7	CRFM STUDIES	\$ 7,266	\$ 7,266	\$ 0
8	LONG-TERM CONTRACT GENERATING PROJECTS	\$ 15,791	\$ 16,036	\$ (245)
9	<b>Sub-Total</b>	<b>\$ 703,727</b>	<b>\$ 706,771</b>	<b>\$ (3,044)</b>
10	<b>Operating Generation Settlement Payment and Other Payments</b>			
11	COLVILLE GENERATION SETTLEMENT	\$ 19,783	\$ 22,000	\$ (2,217)
12	SPOKANE LEGISLATION PAYMENT	\$ 4,946	\$ 5,749	\$ (803)
13	<b>Sub-Total</b>	<b>\$ 24,729</b>	<b>\$ 27,749</b>	<b>\$ (3,020)</b>
14	<b>Non-Operating Generation</b>			
15	TROJAN DECOMMISSIONING	\$ 1,611	\$ 1,200	\$ 411
16	WNP-1&3 DECOMMISSIONING	\$ 1,141	\$ 1,141	\$ 0
17	<b>Sub-Total</b>	<b>\$ 2,752</b>	<b>\$ 2,341</b>	<b>\$ 411</b>
18	<b>Gross Contracted Power Purchases</b>			
19	PNCA HEADWATER BENEFITS	\$ 2,984	\$ 3,100	\$ (116)
20	OTHER POWER PURCHASES (omit, except Designated Obligations or Purchases)	\$ (17,976)	\$ -	\$ (17,976)
21	<b>Sub-Total</b>	<b>\$ (14,992)</b>	<b>\$ 3,100</b>	<b>\$ (18,092)</b>
22	<b>Bookout Adjustment to Power Purchases (omit)</b>			
23	<b>Augmentation Power Purchases (omit - calculated below)</b>			
24	AUGMENTATION POWER PURCHASES	\$ -	\$ -	\$ -
25	<b>Sub-Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
26	<b>Exchanges and Settlements</b>			
27	RESIDENTIAL EXCHANGE PROGRAM (REP)	\$ 266,663	\$ 266,663	\$ 0
28	OTHER SETTLEMENTS	\$ -	\$ -	\$ -
29	<b>Sub-Total</b>	<b>\$ 266,663</b>	<b>\$ 266,663</b>	<b>\$ 0</b>
30	<b>Renewable Generation</b>			
31	RENEWABLES (excludes KIII)	\$ 24,581	\$ 26,255	\$ (1,674)
32	<b>Sub-Total</b>	<b>\$ 24,581</b>	<b>\$ 26,255</b>	<b>\$ (1,674)</b>
33	<b>Generation Conservation</b>			
34	CONSERVATION ACQUISITION	\$ 72,530	\$ 67,357	\$ 5,173
35	CONSERVATION INFRASTRUCTURE	\$ 23,971	\$ 27,300	\$ (3,329)
36	LOW INCOME WEATHERIZATION & TRIBAL	\$ 6,005	\$ 6,005	\$ 0
37	ENERGY EFFICIENCY DEVELOPMENT	\$ 300	\$ 8,000	\$ (7,700)
38	DISTRIBUTED ENERGY RESOURCES	\$ 215	\$ 215	\$ 0
39	LEGACY	\$ 617	\$ 590	\$ 27
40	MARKET TRANSFORMATION	\$ 11,800	\$ 11,800	\$ 0
41	<b>Sub-Total</b>	<b>\$ 115,438</b>	<b>\$ 121,267</b>	<b>\$ (5,829)</b>
42	<b>Power System Generation Sub-Total</b>	<b>\$ 1,122,898</b>	<b>\$ 1,154,145</b>	<b>\$ (31,247)</b>
43				

**COMPOSITE COST POOL TRUE-UP TABLE**

		Q2 (\$000)	Rate Case forecast for FY 2022 (\$000)	Q2- Rate Case Difference
44	<b>Power Non-Generation Operations</b>			
45	<b>Power Services System Operations</b>			
46	EFFICIENCIES PROGRAM	\$ -	\$ -	\$ -
47	INFORMATION TECHNOLOGY	\$ -	\$ 3,804	\$ (3,804)
48	GENERATION PROJECT COORDINATION	\$ 6,951	\$ 3,947	\$ 3,004
49	ASSET MGMT ENTERPRISE SVCS	\$ 201	\$ -	\$ 201
50	SLICE IMPLEMENTATION	\$ 896	\$ 971	\$ (74)
51	<b>Sub-Total</b>	\$ 8,048	\$ 8,721	\$ (673)
52	<b>Power Services Scheduling</b>			
53	OPERATIONS SCHEDULING	\$ 9,928	\$ 9,600	\$ 327
54	OPERATIONS PLANNING	\$ 8,398	\$ 8,708	\$ (310)
55	<b>Sub-Total</b>	\$ 18,325	\$ 18,308	\$ 17
56	<b>Power Services Marketing and Business Support</b>			
57	GRID MOD	\$ 1,778	\$ 2,223	\$ (445)
58	EIM INTERNAL SUPPORT	\$ -	\$ -	\$ -
59	POWER INTERNAL SUPPORT	\$ 16,221	\$ 13,976	\$ 2,244
60	COMMERCIAL ENTERPRISE SVCS	\$ 7,055	\$ -	\$ 7,055
61	OPERATIONS ENTERPRISE SVCS	\$ 1,767	\$ -	\$ 1,767
62	POWER R&D	\$ 2,527	\$ 2,527	\$ (0)
63	SALES & SUPPORT	\$ 12,732	\$ 15,172	\$ (2,441)
64	STRATEGY, FINANCE & RISK MGMT (REP support costs included here)	\$ -	\$ 4,031	\$ (4,031)
65	EXECUTIVE AND ADMINISTRATIVE SERVICES (REP support costs include)	\$ -	\$ 6,672	\$ (6,672)
66	CONSERVATION SUPPORT	\$ 9,679	\$ 7,876	\$ 1,803
67	<b>Sub-Total</b>	\$ 51,758	\$ 52,477	\$ (719)
68	<b>Power Non-Generation Operations Sub-Total</b>	\$ 78,132	\$ 79,507	\$ (1,375)
69	<b>Power Services Transmission Acquisition and Ancillary Services</b>			
70	TRANSMISSION and ANCILLARY Services - System Obligations	\$ 31,919	\$ 31,919	\$ -
71	3RD PARTY GTA WHEELING	\$ 81,854	\$ 81,854	\$ -
72	POWER 3RD PARTY TRANS & ANCILLARY SVCS (Composite Cost)	\$ 2,600	\$ 3,300	\$ (700)
73	TRANS ACQ GENERATION INTEGRATION	\$ 14,723	\$ 14,723	\$ 0
74	EESC CHARGES (Composite)	\$ -	\$ -	\$ -
75	TELEMETERING/EQUIP REPLACENT	\$ -	\$ -	\$ -
76	<b>Power Services Trans Acquisition and Ancillary Serv Sub-Total</b>	\$ 131,095	\$ 131,795	\$ (700)
77	<b>Fish and Wildlife/USF&amp;W/Planning Council/Environmental Req</b>			
78	Fish & Wildlife	\$ 247,508	\$ 247,508	\$ (0)
79	USF&W Lower Snake Hatcheries	\$ 33,000	\$ 33,000	\$ -
80	Planning Council	\$ 11,983	\$ 11,942	\$ 41
81	<b>Fish and Wildlife/USF&amp;W/Planning Council Sub-Total</b>	\$ 292,491	\$ 292,450	\$ 41
82	<b>BPA Internal Support</b>			
83	Additional Post-Retirement Contribution	\$ 16,569	\$ 18,666	\$ (2,097)
84	Agency Services G&A (excludes direct project support)	\$ 77,139	\$ 66,805	\$ 10,334
85	<b>BPA Internal Support Sub-Total</b>	\$ 93,708	\$ 85,471	\$ 8,237



**COMPOSITE COST POOL TRUE-UP TABLE**

		Q2 (\$000)	Rate Case forecast for FY 2022 (\$000)	Q2- Rate Case Difference
86	Bad Debt Expense	\$ -	\$ -	\$ -
87	Other Income, Expenses, Adjustments	\$ 1,584	\$ -	\$ 1,584
88	Depreciation	\$ 143,000	\$ 140,949	\$ 2,051
89	Amortization	\$ 325,600	\$ 320,900	\$ 4,700
90	Accretion (CGS)	\$ 36,100	\$ 36,754	\$ (654)
91	<b>Total Operating Expenses</b>	<b>\$ 2,224,608</b>	<b>\$ 2,241,971</b>	<b>\$ (17,363)</b>
92				
93	<b>Other Expenses and (Income)</b>			
94	Net Interest Expense	\$ 247,276	\$ 240,508	\$ 6,768
95	LDD	\$ 38,799	\$ 39,482	\$ (683)
96	Irrigation Rate Discount Costs	\$ 20,523	\$ 20,509	\$ 14
97	<b>Sub-Total</b>	<b>\$ 306,598</b>	<b>\$ 300,499</b>	<b>\$ 6,099</b>
98	<b>Total Expenses</b>	<b>\$ 2,531,206</b>	<b>\$ 2,542,470</b>	<b>\$ (11,264)</b>
99				
100	<b>Revenue Credits</b>			
101	Generation Inputs for Ancillary, Control Area, and Other Services Revenues	\$ 106,885	\$ 104,245	\$ 2,639
102	Downstream Benefits and Pumping Power revenues	\$ 20,795	\$ 20,661	\$ 134
103	4(h)(10)(c) credit	\$ 90,000	\$ 94,171	\$ (4,171)
104	PRSC Net Credit (Composite)	\$ -	\$ -	\$ -
105	Colville and Spokane Settlements	\$ 4,600	\$ 4,600	\$ -
106	Energy Efficiency Revenues	\$ 300	\$ 8,000	\$ (7,700)
107	PF Load Forecast Deviation Liquidated Damages	\$ -	\$ 1,070	\$ (1,070)
108	Miscellaneous revenues	\$ 11,667	\$ 11,621	\$ 46
109	Renewable Energy Certificates	\$ -	\$ -	\$ -
110	Net Revenues from other Designated BPA System Obligations (Upper Baker)	\$ 411	\$ 411	\$ (0)
111	RSS Revenues	\$ 3,040	\$ 3,040	\$ -
112	Firm Surplus and Secondary Adjustment (from Unused RHWM)	\$ 86,168	\$ 86,168	\$ -
113	Balancing Augmentation Adjustment	\$ (4,070)	\$ (4,070)	\$ -
114	Transmission Loss Adjustment	\$ 30,187	\$ 30,187	\$ -
115	Tier 2 Rate Adjustment	\$ 1,537	\$ 1,537	\$ -
116	NR Revenues	\$ 1	\$ 1	\$ -
117	<b>Total Revenue Credits</b>	<b>\$ 351,520</b>	<b>\$ 361,642</b>	<b>\$ (10,122)</b>
118				
119	<b>Augmentation Costs (not subject to True-Up)</b>			
120	Tier 1 Augmentation Resources (Includes Augmentation RSS and Augmentation RSC)	\$ 10,249	\$ 10,249	\$ -
121	Augmentation Purchases	\$ -	\$ -	\$ -
122	<b>Total Augmentation Costs</b>	<b>\$ 10,249</b>	<b>\$ 10,249</b>	<b>\$ -</b>
123				
124	<b>DSI Revenue Credit</b>			
125	Revenues 12 aMW @ IP rate	\$ 4,056	\$ 4,277	\$ (221)
126	<b>Total DSI revenues</b>	<b>\$ 4,056</b>	<b>\$ 4,277</b>	<b>\$ (221)</b>
127				

<b>COMPOSITE COST POOL TRUE-UP TABLE</b>				
		Q2 (\$000)	Rate Case forecast for FY 2022 (\$000)	Q2- Rate Case Difference
128	<b>Minimum Required Net Revenue Calculation</b>			
129	Principal Payment of Fed Debt for Power	\$ 495,000	\$ 495,001	\$ (1)
130	Repayment of Non-Federal Obligations (EN Line of Credit)	\$ -	\$ -	\$ -
131	Repayment of Non-Federal Obligations (CGS, WNP1, WNP3, N. Wasco, Cowlitz Falls	\$ 16,005	\$ 16,005	\$ -
132	Irrigation assistance	\$ 16,060	\$ 16,060	\$ (0)
133	<b>Sub-Total</b>	<b>\$ 527,065</b>	<b>\$ 527,066</b>	<b>\$ (1)</b>
134	Depreciation	\$ 143,000	\$ 140,949	\$ 2,051
135	Amortization	\$ 325,600	\$ 320,900	\$ 4,700
136	Accretion	\$ 36,100	\$ 36,754	\$ (654)
137	Capitalization Adjustment	\$ (45,937)	\$ (45,937)	\$ -
138	Amortization of Refinancing Premiums/Discounts (MRNR - Reverse Sign)	\$ (23,695)	\$ (7,562)	\$ (16,133)
139	Amortization of Cost of Issuance (MRNR-reverse sign)	\$ 363	\$ 169	\$ 194
140	Cash freed up by DSR refinancing	\$ 16,510	\$ 16,510	\$ -
141	Gains/Losses on Extinguishment	\$ -	\$ -	\$ -
142	<b>Non-Cash Expenses</b>	\$ 77,926	\$ 77,926	
143	Prepay Revenue Credits	\$ (30,600)	\$ (30,600)	\$ -
144	Non-Federal Interest (Prepay)	\$ 7,854	\$ 7,854	\$ -
145	Contribution to decommissioning trust fund	\$ (4,472)	\$ (4,472)	\$ -
146	Gains/losses on decommissioning trust fund	\$ (9,857)	\$ (9,857)	\$ -
147	Interest earned on decommissioning trust fund	\$ (3,399)	\$ (3,399)	\$ -
148	Revenue Financing Requirement	\$ (40,000)	\$ (40,000)	\$ -
149	<b>Sub-Total</b>	<b>\$ 449,393</b>	<b>\$ 459,235</b>	<b>\$ (9,842)</b>
150	Principal Payment of Fed Debt plus Irrigation assistance exceeds non cash expense:	\$ 77,672	\$ 67,832	\$ 9,841
151	Minimum Required Net Revenues	<b>\$ 77,672</b>	<b>\$ 67,832</b>	<b>\$ 9,841</b>
152				
153	Annual Composite Cost Pool (Amounts for each FY)	<b>\$ 2,263,551</b>	<b>\$ 2,254,632</b>	<b>\$ 8,919</b>
154				
155	<b>SLICE TRUE-UP ADJUSTMENT CALCULATION FOR COMPOSITE COST POOL</b>			
156	TRUE-UP AMOUNT (Diff. between Rate Case and Forecast)	8,919		
157	Sum of TOCAs	0.9581334		
158	Adjustment of True-Up Amount when actual TOCAs < 100 percent	9,309		
159	TRUE-UP ADJUSTMENT CHARGE BILLED (22.36267 percent)	2,082		

# Financial Disclosures

This information has been made publicly available by BPA on May 12, 2022 and contains information not sourced directly from BPA financial statements.