FEB 23 QUARTERLY BUSINESS REVIEW FOLLOW UP

Q. Paul Durham, Benton PUD - With regards to the ENW Interest Expense Update, could BPA provide a visual of the before/after of the accounting process and walkthrough how BPA arrived at the Net Result on slide 7?

A. Please see BPA's response to this question here.

Q. Paul Durham, Benton PUD - With relationship to GRID MOD, lots of the projects are in the "deliver phase." Could BPA provide a little more detail on why it's anticipating $6.3M more than the rate case budget even with the $1.7M more from carryover from FY 2020?

A. First, we would like to clarify the amount of the projected budget overage. The total forecast for FY21 was $18.8 million at Q1. The IPR budget for FY21 is $12.5 million plus $1.7 million in carryover, for a total available budget of $14.2 million. Thus, the program was projected to be $4.6 million over the total budget. This forecast is already coming down as projects refine their forecasts and shift timing or seek alternate approaches to complete work. We will provide an update in Q2 that we expect to be much closer to the available budget.

The forecast is significantly higher than the rate case budget in FY21 as a large number of projects are in the deliver phase and are seeing significant costs from delivery of products and services. With the potential EIM go-live date of March 2, 2022, all work required for EIM must be completed in FY22. In addition, we saw some costs that were originally anticipated to be incurred in FY20 shift to FY21 due to project delays. FY20 and FY21 were expected to be the years of the greatest spend for Grid Mod as they are when the largest number of projects on the roadmap were expected to be in delivery.

Q. Paul Durham, Benton PUD - In regards to Power Net Revenues in Q1 due to higher than expected prices from trading floor sales. Could BPA provide a breakout of volume and total revenue amount by region (NW, CA, etc.) from these secondary sales?

A. BPA is unable to share that level of data for the current fiscal year (by month). It contains commercially sensitive information, especially for the future months (Mar – Sep) by showing the forward committed volume by region (i.e. CA). However, this type of information could potentially be shared once we are through the fiscal year and it is considered to be historical data.

Q. Mike Deen, Public Power Council - We would be interested in understanding the stochastic factors that drive the ranges of uncertainty for slides 23 and 24 in the slide deck.

A. The reserves for risk distributions and risk mechanism probabilities shown on slides 23 and 24 are built from the following components:

- Point forecast Net Revenue and Reserves for Risk from the Q1 forecast
- Inventory uncertainty from HOSS/Hydsim Study 10
- Market price uncertainty from Aurora Study 10
- Transmission revenue uncertainty from RevRam, updated for Q1

- Non-operating risks from the BP-22 Initial proposal NORM model
- Additional cash timing risk modeled for cash payments to Energy Northwest, resulting in $21 million to $41 million higher reserves than forecast

Q: Raj Hundal, Powerex - The QBR presentation for FY2020 (Q4) identified end of year Transmission Financial Reserves for Risk as $272.3 million (November 19th, 2020 Technical Workshop, slide 11). Does this actual reserves balance reflect the use of financial reserves BPA included in the BP-20 settlement for FY2020, which were forecasted to be decremented by approximately $62 Million in FY20 (February 23rd, 2021 Technical Workshop - Slide 52)?

A: Yes. Reserves would naturally decline because rates were set at a level that did not cover $62 million of expenses. Those expenses still came through for Transmission during FY20, and reserves were depleted to pay for them. Said differently, $62 million of expenses was planned to be covered from reserves, not from revenues generated in rates. The impact of this is reflected in Transmission's FY20 results.

Q. Raj Hundal, Powerex - If no, could BPA explain in detail how much of the financial reserves were used in FY20 to offset the expenses to effect the lowering of rates as required under the BP-20 Settlement?

A: Not applicable, see above.

Q: Raj Hundal, Powerex - Is the use of financial reserves to offset expenses for BP-20 Settlement purposes reflected in Slide 4 or 5 (End of year results – FY20 income statement)?

A: Yes, in the sense that Transmission rates, thus revenues, were lower than they would have been had reserves not been used to support the BP-20 settlement. Transmission expenses were unaffected by the use of reserves. The net revenues displayed on the FY20 income statement include the effect of lower rates (and revenues).

Q: Raj Hundal, Powerex - Please also identify where else the use of the financial reserves for BP-20 Settlement for FY2020 has been reported, as well as what expenses were offset or capital financing was accomplished with these financial reserves.

A: In the rate case, the use of reserves is applied at a business unit level in the revenue requirement. It is not applied against specific expenses. Instead, it appears in the "other income & expense" line of the revenue requirement income statement as a negative value, reducing the revenue requirement to match the expected revenues associated with the settled rates. The reporting of the use of reserves only exists in the rate case and only because that is how the rate case modeling functions. In the operating year, expenses and revenues will be reported as accrued. It is entirely possible that reserves will not be depleted as much as expected due to the use of reserves in the rate case. This is entirely dependent on how actual results compare to the forecasts used in the rate case.

Q: Raj Hundal, Powerex -The QBR presentation for FY2021 (Q1) indicated that BPA forecasts another decrement of approximately $53 million (averaging $55 million per year in the BP-20 rate period) of financial reserves in FY2021 (February 23, 2021 Technical Workshop,

slide 52). BPA also projects that the Q1 forecast for EOY RFR of $150 Million. Does this forecast include the forecasted decrement of $53 Million?

A: Yes, this is implicit in the forecasts. The FY2021 forecast includes all anticipated expenses and revenues for the TS business line to meet its mission.

Q: Raj Hundal, Powerex -How is BPA planning to use these reserves and how will the use of these reserves appear in subsequent QBR workshop materials?

A: The use of reserves in BP20 is not explicitly called out because the effect is embedded in lower rates than otherwise would have been set had a settlement not occurred. As a result, the revenues are lower than otherwise would have been expected. Calling out the use of reserves in the income statement or other financial statement is not possible because we did not calculate rates without a settlement.

Q: Raj Hundal, Powerex - Historically, BPA has used revenue financing and reserves financing to finance capital. However, for BP-20, BPA stated that it used financial reserves to "offset expenses" as required under BP-20 Settlement. Has BPA used financial reserves to "offset expenses" at any other time?

A: Yes. BPA has used reserves to offset expenses as a way of supporting other rate settlements. This includes an average of $20 million/year in the TR-10 rate case and $32.4 million/year in BP-12.